

# **MAINE ETHICS COMMISSION**

**In Re: Campaign Financing of York County  
Casino Initiative**

**Meeting of the Commission of Governmental  
Ethics and Election Practices**

**Augusta, ME**

**June 9, 2017**

2 [START RECORDING]

3 CHAIR MARGARET E. MATHESON: I would like to  
4 call our meeting to order. And we have only one  
5 item on our agenda this morning, and that is the  
6 request to investigate funding for the York  
7 County Casino Initiative. And Jonathan, I would  
8 ask you to take us through. You gave us a lot  
9 of reading over the last week.

10 MR. JONATHAN WAYNE: Sure. I just have a  
11 few comments, and then there are some folks here  
12 from different sides of the issue to--

13 CHAIR MATHESON: [Interposing] Sure.

14 MR. WAYNE: --answer your questions and make  
15 some comments. Under Maine Election Law, a  
16 person that is not defined as a PAC [phonetic],  
17 that receives contributions totaling more than  
18 \$5,000, influence--initiate or influence, a  
19 ballot question, is required to register with  
20 this office and file campaign finance reports.  
21 And they register as a ballot question  
22 committee, because they are not a PAC.

23 So, in December, 2015, the Horseracing Jobs  
24 Fairness BQC, registered with us, and began  
25 filing campaign finance reports through 2016,

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2      and the last reporting was done in April. And  
3      those reports initially stated that Lisa Scott  
4      was the only cash contributor to the BQC, and  
5      she contributed a little bit more than 4.2  
6      million dollars. And there were no other  
7      contributors listed in the reports. Then,  
8      because of events that I described in the memo,  
9      three new committees registered with us in April  
10     of this year, and some of the reports were  
11     amended.

12             And so that provided a fuller description of  
13     the funding for the initiative. And what the  
14     reporting now indicates is that the 4.2 million  
15     dollars that was received by Horseracing Jobs  
16     Fairness came directly from Lisa Scott, and two  
17     LLC's that she apparently owns, and that all of  
18     that money was derived from money with--derived  
19     from loans from Capital Seven, LLC, and Regent  
20     April Associate Co.

21             So, the viewpoint of the Commission Staff,  
22     and these are preliminary findings by us, that  
23     are not binding on you, is that a lot of the--  
24     most of the reports that we received in April of  
25     this year should have been filed back in 2016,

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2      so that the public would have been aware that  
3      the source of money was really Capital Seven,  
4      LLC, and Regent Able Associate, Co. And that  
5      those reports are months late, and disclose a  
6      lot of financial activity.

7              So, our point of view is that these reports  
8      are late, and we provided a notice to the BQCs  
9      that the penalties could be quite high. Around  
10     the same time as those reports were filed, or  
11     maybe a little bit before, we received a request  
12     for an investigation from two legislatures who  
13     are the Chairs of the Veterans and Legal Affairs  
14     Committee of the Legislature that has  
15     jurisdiction over the Commission, and so they  
16     requested the investigation on April 6th, before  
17     the amended reports were filed.

18             And Representative Luchini is here today to  
19     speak of their investigation, even after we  
20     received the additional information and so  
21     forth. And he let me know that he would like to  
22     make some comments, but he has to head back to  
23     the State House to do legislative business, so  
24     he would appreciate your considering him toward  
25     the beginning of this matter, which is normally

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2      when you would.

3             So the--from our point of view of staff, but  
4      you know, one item of business before you is the  
5      decision of whether or not to investigate. And  
6      we have provided you with preliminary thoughts  
7      from us about what our first phase of the  
8      investigation might look like. And, if you  
9      would like, if you have any interest in this,  
10     this staff could, with our counsel, talk to  
11     these folks and see if there is any sort of room  
12     for a consent agreement.

13            But, I don't know if that has any interest,  
14     so that probably should be discussed at a later  
15     time, if you would like to follow up on that.  
16     So, my recommendation is first to hear from  
17     Representative Luchini.

18            **CHAIR MATHESON:**   Okay.

19            **MR. WAYNE:**   And then we have two counsel for  
20     the respondents, I think, who are--might want to  
21     make some comments.

22            **CHAIR MATHESON:**   All right. And before we  
23     do that, I would just like to say that our  
24     narrow question today is whether or not to go  
25     forward with a full investigation. Correct?

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MR. WAYNE: Yeah.

CHAIR MATHESON: Okay.

MR. WAYNE: I mean, we would appreciate some direction on whether you would like some of our ideas--

CHAIR MATHESON: [Interposing] Okay.

MR. WAYNE: --and if you decide to go in that direction, we would like some of the ideas we put forth about what the investigation would look like.

CHAIR MATHESON: Yes, Commissioner--

COMMISSIONER RICHARD A. NASS: So, actually two questions. Are there sufficient grounds to conduct an investigation? And, once that decision is made, then do you rely on the Commission to give you direction to that investigation?

MR. WAYNE: Correct.

COMMISSIONER NASS: Okay.

MR. WAYNE: Yeah.

CHAIR MATHESON: Thank you--

COMMISSIONER NASS: [Interposing] Which could be a separate--

CHAIR MATHESON: --thank you, Commissioner.

2            COMMISSIONER NASS:    It could be a separate  
3      vote.

4            CHAIR MATHESON:    Yeah.

5            COMMISSIONER NASS:    Is that correct?    Okay.

6            CHAIR MATHESON:    All right.    Does anybody  
7      else have questions of staff before we--no?  
8      Representative Luchini, if you would like to  
9      come up here, and introduce yourself into the  
10     record, please.

11           REPRESENTATIVE LOUIS LUCHINI:    Great.    Well,  
12     thank you, Chair Matheson and Commissioners.    My  
13     name is Louis Luchini.    I'm in the legislature,  
14     so I have worked with all of you before,  
15     probably.    And I represent Ellsworth [phonetic]  
16     and Trenton [phonetic] in the House.    We  
17     received a packet from Jonathan and, you know,  
18     it said if we would like to still pursue the  
19     investigation, to let you all know.

20           So, we submitted a letter yesterday.  
21     Senator Mason [phonetic] couldn't be here,  
22     because we do have session shortly.    And thank  
23     you for taking me kind of early and out of  
24     order.    I just wanted to have one of us here, in  
25     case you needed questions.    I'll quickly read

2      the letter on behalf of both of us, and then if  
3      there's questions, happy to answer. So the  
4      letter was dated yesterday, and I think copies  
5      were handed out.

6            CHAIR MATHESON: Yes.

7            REPRESENTATIVE LUCHINI: Okay, great. Thank  
8      you. So here, Commissioner Matheson, we are  
9      writing to reaffirm our previous request to--for  
10     a full investigation to the Ballot Question  
11     Committee Horseracing Jobs Fairness. The BQC  
12     has recently amended financial disclosures,  
13     coupled with new information provided by Ethics  
14     Commission Staff, have only strengthened our  
15     conviction that an investigation is necessary.

16            As was stated in our earlier letter, dated  
17     April 6th, initial concerns were raised by the  
18     large amount of money contributed by a sole  
19     individual, Lisa Scott. In addition, Ms.  
20     Scott's involvement with the Massachusetts  
21     Ballot Question Initiative through Miami  
22     Development Concepts suggested that financing  
23     for HJF, Horseracing Jobs Fairness, may not be  
24     appropriately filed.

25            The recently amended reports confirmed those

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1           suspicions. Further, we find the responses  
2           provided by attorneys from the parties involved  
3           to inadequately address the questions posed by  
4           Ethics Commission Staff. The backers of this  
5           initiatives, as well as the officers of the  
6           Ballot Question, are highly experienced in  
7           matters of campaigns, ballot questions and  
8           campaign finances; improper filings of this  
9           magnitude are unacceptable.  
10

11           As legislatures, our primary purpose is to  
12           act in the best interest of Maine citizens. And  
13           as Chair of the--as Chairs of the Veterans and  
14           Legal Affairs Committee, which oversees  
15           elections and campaign finance, we take  
16           seriously our responsibility to ensure the  
17           integrity of the Citizen Initiative process.

18           We believe the blatant lack of transparency,  
19           potential violations of Campaign Finance Law,  
20           and the continued negative news reports  
21           surrounding this BQC and its backers have served  
22           to erode the public's confidence in Maine  
23           Citizen Initiative Process. This Initiative may  
24           be on the ballot in November. The public's  
25           right to know who financed this initiative, and

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2 who stands to benefit from its passage is 0  
3 paramount.

4 And so for these reasons, we urge the  
5 Commission to launch a full investigation. And,  
6 just a couple of other remarks, you know, I  
7 think from the beginning of this, there were  
8 questions as raised, as Jonathan--Director Wayne  
9 outlined earlier. Because the Ballot Question,  
10 in and of itself, appears to be written for one  
11 individual entity, only--so only one, individual  
12 entity can win. However, it was funded by one  
13 person whose connection with that entity was  
14 unknown.

15 So that kind of raised the red flags for  
16 Senator Mason and myself. And so, earlier this  
17 year we scheduled a public hearing for the  
18 initiated bill, which is kind of opposite of the  
19 recent trend in the legislature, when we just  
20 send these things directly out to the ballot  
21 from the floor of the House. Our hope was that  
22 the public hearing would provide more clarity on  
23 this issue, but in actuality, it just caused a  
24 whole lot more confusion, as the packet kind of  
25 outlines.

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2 Nobody from the Ballot Question, nor 1  
3 Committee, nor Lisa Scott showed up at the  
4 hearing to testify. And we were hoping to get  
5 more answers in to the financing. After the  
6 situation in Massachusetts happened, where they  
7 signed a disposition agreement, and you know,  
8 the Massachusetts office found that they were  
9 receiving contributions in quote, from their  
10 press release, received contributions made in a  
11 matter intended to disguise the true source of  
12 the funds.

13 And also that they failed--failing to  
14 disclose campaign finance activity in a timely  
15 or accurate manner. So, those things really  
16 raised a lot of red flags for us. And we think  
17 that it raises a significant concern, and enough  
18 to warrant an investigation in to this. And  
19 really, the, you know, we do take seriously the  
20 Citizen's Initiative, and the power that is  
21 granted to our citizens.

22 And we think the public has a right to know  
23 who financed this Initiative, as well as who  
24 stands to benefit from its passage. So, we just  
25 wanted to be here on behalf of Senator Mason and

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2 myself, and happy to answer any questions 2  
3 anybody has on why we raised this.

4 CHAIR MATHESON: Thank you. Yes,  
5 Commissioner?

6 COMMISSIONER NASS: Representative Luchini,  
7 thank you for being here. I just want to--  
8 because this is the only opportunity I am going  
9 to get to remind yourself and the Legislative  
10 Committee, and because you've been Chair of this  
11 Committee for--this is your second session, at  
12 least? As Chair?

13 REPRESENTATIVE LUCHINI: Third, yeah.

14 COMMISSIONER NASS: Third session?

15 REPRESENTATIVE LUCHINI: Yeah.

16 COMMISSIONER NASS: You--more, more  
17 important, I think. So, we have only the  
18 statutes that you have given us, and the rules  
19 that we had created to deal with this kind of an  
20 issue, which is pretty significant. And we also  
21 occasionally, every year, send over requests for  
22 changes. And I think the last set of change  
23 that we sent you was not--it was well received,  
24 but it wasn't enacted, as I recall.

25 And so this is my opportunity to remind you,

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2 as a Legislature, that all we've got to work 3  
3 with is the statutes that you've given us over  
4 the years, and the rules. And some of those  
5 requests that we sent over would have given us  
6 more to work with, in this kind of a situation.  
7 And so, I'm just using this forum to remind you  
8 of that.

9 REPRESENTATIVE LUCHINI: Okay, understood.

10 CHAIR MATHESON: Anything else? Okay.

11 REPRESENTATIVE LUCHINI: Thank you.

12 CHAIR MATHESON: Thank you very much,  
13 Representative.

14 REPRESENTATIVE LUCHINI: I'm sorry that I  
15 have to head back to the State House. Thank  
16 you.

17 CHAIR MATHESON: We understand, though.

18 REPRESENTATIVE LUCHINI: Thank you.

19 CHAIR MATHESON: All right. And who is here  
20 from the other side of things?

21 MR. WAYNE: We've been in most contact with  
22 Bruce Merrill on behalf of the Ballot Question  
23 Committees.

24 CHAIR MATHESON: Okay.

25 MR. WAYNE: Alexis Fallon is here today.

2 CHAIR MATHESON: Okay. 4

3 MR. WAYNE: I haven't had a chance to talk  
4 to her, but she may wish to make a presentation-  
5 -

6 CHAIR MATHESON: [Interposing] All right.

7 MR. WAYNE: --or answer questions.

8 CHAIR MATHESON: All right. Does anybody  
9 care to come up, to make a presentation to us?  
10 Or are we just going straight to discussion?  
11 Which is fine. Good morning.

12 MR. BRUCE MERRILL: Good morning.

13 CHAIR MATHESON: If you would care to  
14 introduce yourself, please, for the record?

15 MR. MERRILL: My name is Bruce Merrill. I  
16 represent Lisa Scott, Cheryl Timberlake as the  
17 Treasurer of Horseracing Jobs Fairness, and  
18 Horseracing Job Fairness itself, the Ballot  
19 Question Committee. I don't want to repeat what  
20 is set forth in my letter that is part of the  
21 packet, Exhibit 22, other than to highlight a  
22 couple of things that I believe are important to  
23 this Commission's consideration of the request  
24 that there be a further investigation.

25 As I indicated in my response to Mr. Wayne,

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2 there was never an attempt to disguise 5  
3 contributions, or not disclose contributions.  
4 The Horseracing Jobs Fairness Ballot Committee  
5 and its Treasurer did everything that they  
6 thought they were doing to properly report the  
7 money that was coming in, to the extent that  
8 after the very first filing was made in  
9 December, Ms. Timberlake requested a meeting  
10 with the Committee to ask them are we doing  
11 everything we need to do to be in compliance?

12 At that time, the filing in December  
13 reflected that Lisa Scott had made a  
14 contribution of \$25,000. According to the  
15 Committee's interpretation of 1056(b) at the  
16 time, that would have required Ms. Scott to  
17 register as her own Ballot Question Committee.  
18 When Ms. Timberlake and her legal counsel,  
19 Soltan Bass at the time, met with the Committee  
20 in January, for guidance, nobody mentioned  
21 anything at all about the fact that there was--  
22 that \$5,000 threshold had been triggered.

23 The reason that Ms. Timberlake came in is  
24 she wanted to make sure she was doing everything  
25 that she was supposed to do. No one said

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2 anything. There are exhibits appended to my 6  
3 letter where members of the Committee, in the  
4 ensuing months, were reviewing the reports that  
5 were being filed. Nobody raised any questions  
6 about the amount of money, or about the fact  
7 that Ms. Scott needed to register as her own  
8 Ballot Question Committee.

9 When we were in front of the Committee in  
10 May, I'm sorry, yes, in front of the Committee  
11 in May of this year, to discuss this issue, I  
12 had raised a question of Mr. Wayne. We were  
13 here a year ago, on a contract dispute with one  
14 of the vendors of the signature gathering  
15 campaign. One of the issues that came up was  
16 the enormous amount of money that had gone in to  
17 this campaign.

18 Yet no one said anything at that time about  
19 the fact that, you know, Ms. Scott should have  
20 registered as her own Ballot Question Committee.  
21 And when I asked Mr. Wayne about that this May,  
22 when we were meeting, his response to me was  
23 well, we knew it was a large amount of money,  
24 but we didn't think the Initiative was going to  
25 pass. Because as the Commission, they realized

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2 that it didn't pass the first time. It didn't 7  
3 make the ballot last November.

4 It was only by a second effort that it was  
5 approved by the Secretary of State this past  
6 January. Now, I would submit to you that the  
7 standard for whether or not you're going to  
8 apply 1056(b) should not be whether or not the  
9 petition is successful or not. So, I don't find  
10 that as a helpful answer from Mr. Wayne why this  
11 wasn't raised 16 months ago, when Ms. Timberlake  
12 specifically said are we doing everything we  
13 need to do? Are we complying with the statutory  
14 requirements?

15 And no one has raised anything until  
16 Representative Luchini and Senator Mason raised  
17 this issue and sent a letter. And I believe  
18 that there is a serious estoppel issue here, as  
19 far as the Commission's ability to now say that  
20 somehow we were wrong, when we were asking for  
21 help from the beginning, and relying upon it.  
22 And the Committee kept reviewing the reports and  
23 nobody raised any questions at all, even though  
24 they knew that there was a lot of money that was  
25 being put into this particular Initiative

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2 effort. 8

3 And so, I would ask the Commission to take  
4 that into consideration, that we were trying.  
5 We were asking for guidance. The reports that  
6 were filed were being reviewed, and no one ever  
7 raised this issue. And now, all of the sudden,  
8 we are being told, that statute says \$5,000 is a  
9 trigger. That tells you you need to, basically,  
10 form your own Ballot Question Committee. When  
11 Ms. Timberlake raised this issue in another  
12 context, and I think that I have it in here.

13 But when Mr. Wayne was testifying, I think,  
14 as Mr. Nass indicated on LD 1480, one of the  
15 issues that they brought up for why they--you  
16 want to change the statute yet again, and I  
17 agree it should be changed, because I do not  
18 think it is a well-written statute. I do not  
19 think it is clearly setting forth what the  
20 requirements are of doing the filing, and when a  
21 contribution requires another Ballot Question to  
22 be formed.

23 But one of the issues that Mr. Wayne raised  
24 in his testimony, before the Joint Standing  
25 Committee on Veterans and Legal Affairs this

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2 past April, was the fact that the Ballot 9  
3 Question on background checks that was defeated  
4 at the polls last November, one of the largest  
5 contributors was a Ballot Question called "Every  
6 Town for Gun Safety Action Fund," which raised  
7 over five million dollars.

8 And the question that Ms. Timberlake asked  
9 is everybody knew that Bloomberg was behind  
10 that, but no--the Commission never said, well  
11 Mr. Bloomberg, you need to file as a Ballot  
12 Question Committee, because you have contributed  
13 more than \$5,000 to Every Town for Gun Safety  
14 and Action Fund. And Mr. Wayne's response to us  
15 was, well, that's not relevant. Well, how it  
16 cannot be relevant?

17 It's--it exceeds the amount of money that  
18 was raised in our campaign, and they weren't  
19 required to go back and identify who the  
20 contributors were to Every Town for Gun Safety  
21 Action Fund. So, it doesn't seem like we've got  
22 a level playing field here. It seems like  
23 Horseracing Jobs Fairness is being held to a  
24 different standard than what some of the other  
25 Ballot Question Committees have been held to,

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2       that have raised similar amounts of money.       0

3               And I think that that's something that's got  
4       to be taken into consideration.   If there is a  
5       problem with the Citizen's Initiative process,  
6       then correct the process.   But don't use us as a  
7       scapegoat because of the fact that you think  
8       more needs to be done with the statutes that you  
9       have.   As I indicated before, I agree with you.  
10       I do not think the 1056 is well-written.   I  
11       don't think it's clearly written.

12              I think the changes should be made to it, to  
13       make it absolutely clear what the  
14       responsibilities are, a Ballot Question  
15       Committees and the Treasurers, and the  
16       principals of those Committees, when they are  
17       trying to comply with the filing requirements,  
18       under the Election Laws that we have in place  
19       right now.   Thank you.

20              CHAIR MATHESON:   Yes, Commissioner?

21              COMMISSIONER RICHARD A. NASS:   I'm trying to  
22       understand this, and you have spoken in your  
23       response to the role of other, apparently law  
24       firms that have been hired to speak about this,  
25       particularly Mr. Riley [phonetic], Dan Riley,

2       showed up at the public hearing in front of       1  
3       the Legislature.   And now we have Soltan Bass  
4       weighing in in this material here.   So who's--  
5       and there's a whole bunch of corporations.   So  
6       I'm trying to understand this, then.

7               So who is representing who here?   You are  
8       representing?

9               MR. MERRILL:   Horseracing Jobs Fairness.

10              COMMISSIONER NASS:   Okay.

11              MR. MERRILL:   And Lisa Scott, which are  
12       synonymous.   They are one and the same.

13              COMMISSIONER NASS:   Yeah, that's  
14       interesting, so what--

15              MR. MERRILL:   [Interposing] And Cheryl  
16       Timberlake as the Treasurer.

17              COMMISSIONER NASS:   Yeah, what about Dan  
18       Riley?   What--who is he--is he still playing in  
19       this game?   What's his--

20              MR. MERRILL:   [Interposing] He's had nothing  
21       to do with Horseracing Jobs Fairness or Lisa  
22       Scott.

23              COMMISSIONER NASS:   But when the issue came  
24       up to the Legislature, he's the only one that  
25       showed up.

1           **IN RE: CAMPAIGN FINANCING OF YORK COUNTY CASINO INITIATIVE**           2

2           MR. MERRILL:   For reasons--           2

3           COMMISSIONER NASS:   [Interposing] What about  
4 Soltan Bass?

5           MR. MERRILL:   --reasons--

6           COMMISSIONER NASS:   [Interposing] What  
7 about--

8           MR. MERRILL:   --reasons that are unclear to  
9 me, to this day.

10          COMMISSIONER NASS:   Okay. What about Soltan  
11 Bass? What is their role, continuing role in  
12 this?

13          MR. MERRILL:   They don't have a continuing  
14 role today, that I'm aware of, but they were  
15 representing Cheryl as the Treasurer of  
16 Horseracing Jobs Fairness, when they were first  
17 created back in December of 2015.

18          COMMISSIONER NASS:   So, you're--do you  
19 understand what the confusion here is? At  
20 least, on my--I'm having trouble understanding  
21 who is representing who here.

22          MR. MERRILL:   Well, I'm representing  
23 Horseracing Jobs Fairness. I guess I've kind of  
24 replaced Soltan Bass, if that makes it easier--

25          COMMISSIONER NASS:   [Interposing] Okay, all

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2       right.

3

3               MR. MERRILL:   --for you to understand.

4               COMMISSIONER NASS:   Thank you.

5               CHAIR MATHESON:   I don't think it's a  
6       question for Mr. Merrill that I have, so I'm  
7       going to wait.

8               MR. MERRILL:   Oh.

9               CHAIR MATHESON:   Do you--does anyone else  
10      have questions or comments?

11              COMMISSIONER WILLIAM A. LEE III:   Yes.

12              CHAIR MATHESON:   Yes?

13              COMMISSIONER LEE:   Mr. Merrill, can you tell  
14      us who is representing, if anyone, MDC and IDC?  
15      And MDC is Miami Development Concepts, and IDC  
16      is International Development Concepts.

17              MR. MERRILL:   I would say to the extent that  
18      we believe that they are all Lisa Scott, that I  
19      am.

20              COMMISSIONER LEE:   So you are here, counsel,  
21      for both of those entities as well.

22              MR. MERRILL:   When I say Lisa Scott, I'm  
23      including her new companies.   Because we  
24      believe, again, they're one and the same.   Mr.  
25      Wayne has indicated that the LLC's, because

2       they're LLC's, that they are independent,  
3       legal entities. And I don't really think that  
4       is accurate, for purpose of what we're talking  
5       about. It is a single person entity.

4

6             Lisa Scott is the only member of that LLC.  
7       Any profits that that LLC would show flow  
8       through to Lisa Scott on her personal tax  
9       return. The IRS does not recognize it as a  
10      separate, legal entity. Everything that is on  
11      MDC, LLC, and IDC, LLC, is on her personal tax  
12      return under a Schedule C. So, I don't consider  
13      them separate entities. It was all Lisa Scott.

14            COMMISSIONER LEE: But MDC, for example, can  
15      sue or be sued in its own name, can it not?

16            MR. MERRILL: I'm sorry?

17            COMMISSIONER LEE: MDC can sue and be sued  
18      in its own name as a legal entity, correct?

19            MR. MERRILL: Yes.

20            COMMISSIONER LEE: I mean, it is registered  
21      in the state of Florida.

22            MR. MERRILL: Correct.

23            COMMISSIONER LEE: Are you aware of the  
24      registration status of IDC? Because the  
25      Commission Staff indicated it could find no



2      records of there being such a legal entity      5  
3      registered in the state of Florida.

4           MR. MERRILL:   I don't believe that IDC is  
5      registered in the state of Florida.

6           COMMISSIONER LEE:   Do you know what state it  
7      is registered in, if any?

8           MR. MERRILL:   I would want to double check.  
9      I thought it was Delaware, but I need to confirm  
10     that.

11          COMMISSIONER LEE:   Okay.   And she is the  
12     sole member of these LLCs?

13          MR. MERRILL:   Correct.

14          COMMISSIONER LEE:   If I may?

15          CHAIR MATHESON:   Certainly.

16          COMMISSIONER LEE:   You indicated that, in  
17     your letter, and it's stated here today, Lisa  
18     Scott and HRJF are synonymous.   And if that is  
19     the case, then if a contribution was made by a  
20     legal entity to Lisa Scott, shouldn't that be  
21     considered to be the equivalent of a  
22     contribution to HRJF?

23          MR. MERRILL:   Yes.   That was the tradition--

24          COMMISSIONER LEE:   [Interposing] And  
25     triggering the requirements that would come

2       along with that, filing requirements?

6

3               MR. MERRILL:   But Horseracing Job Fairness  
4       had already filed as a ballot question  
5       committee.

6               COMMISSIONER LEE:   The--isn't the argument  
7       more here today not about whether the Commission  
8       Staff should have, at an earlier time, said gee,  
9       Lisa Scott has reported 4.3 million dollars in  
10       contributions.   She has to register as a BQC.  
11       Rather, the fact that a large amount of these  
12       contributions was actually made to MDC and IDC,  
13       and they have not registered?   Isn't that really  
14       the bigger issue here?

15              MR. MERRILL:   Well, again, our position here  
16       is that it's all Lisa Scott.

17              COMMISSIONER LEE:   Well, but if it was going  
18       to truly just be Lisa Scott, then why form two  
19       legal entities, pay the necessary filing fees,  
20       and go through all of that legal hoops, so to  
21       speak.   Why bother with them?   Just be Lisa  
22       Scott, if it in fact, is functionally the same.  
23       I don't--that's something that puzzled me--

24              MR. MERRILL:   [Interposing] Well.

25              COMMISSIONER LEE:   --as I was reading

2      through these materials.      7

3            MR. MERRILL:    The two companies, MDC and IDC  
4      were not formed for purposes of this Initiative.  
5      They were already in existence.    They just  
6      happened to be two companies that she has.    So,  
7      maybe they weren't created for purposes of  
8      Horseracing Jobs Fairness.

9            COMMISSIONER LEE:    Because that may be  
10     something that we have yet to determine.    I  
11     don't--I'm not aware of any documentation that  
12     would make me think it go--it's this way, or  
13     it's that way.    I've got some information on the  
14     filing date for Miami Development Concepts,  
15     which fits right within the timeframe of this  
16     Initiative.    And there was quite a bit of money  
17     flowing in to it, which then flowed to either  
18     directly to Lisa, or to the Horseracing Jobs  
19     Fairness, BQC, HRJF BQC, at approximately the  
20     same time.

21            Have you any other paperwork that is--has  
22     not been submitted yet, regarding at least Miami  
23     Development Concepts, that would perhaps shed  
24     some light on the issue of the purpose of MDC?

25            MR. MERRILL:    It's a multi-purpose LLC that

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2        she uses.        Ms. Scott is basically involved in        8  
3        real estate transactions.        And the LLC's are  
4        created because, as the name implies, they are  
5        limited liability companies.        They are created  
6        to protect liability, to protect you from  
7        liability, so you--

8                COMMISSIONER LEE:        [Interposing] Protects  
9        Lisa Scott from individual liability, for the  
10        acts of the LLC.

11                MR. MERRILL:        Correct.

12                COMMISSIONER LEE:        Yes.        And--

13                MR. MERRILL:        [Interposing] But they're  
14        multi-purpose.        They're not--MDC was created in  
15        March of 2016.        And it was not created for the  
16        sole purpose of this Maine Initiative.        And  
17        that's borne out by the fact that MDC was also  
18        involved in the Massachusetts ballot Initiative  
19        down there.

20                COMMISSIONER LEE:        Do you have any paperwork  
21        on IDC?

22                MR. MERRILL:        I would have to check.        As a  
23        matter of fact, that was one of the things I was  
24        going to do last night, and it just slipped my  
25        mind, but I was going to double check.        I may.

2       I don't know.

9

3               COMMISSIONER LEE:   Do you have the date of  
4       its creation?

5               MR. MERRILL:   Off the top of my head, no.  
6       But I think it's older, it's obviously older  
7       than MDC.

8               COMMISSIONER LEE:   And when you say  
9       "obviously older," why do you say that?

10              MR. MERRILL:   MDC was only created March of  
11       2016.

12              COMMISSIONER LEE:   And you're saying that  
13       IDC was created before that date?

14              MR. MERRILL:   I believe so.   I want to  
15       double check, but I--that's my memory.

16              COMMISSIONER LEE:   I've just been sort of  
17       monopolizing some questions.

18              CHAIR MATHESON:   That's all right, that's  
19       all right.

20              COMMISSIONER LEE:   I'm just trying to  
21       understand more.   I have other questions, but  
22       I'd rather defer to other Commissioners--

23              CHAIR MATHESON:   [Interposing] Well, I would  
24       like to--

25              COMMISSIONER LEE:   --with their questions.

2           CHAIR MATHESON:   --follow up on something   0  
3      you just said, or you just asked about.   In this  
4      context, you said that Lisa Scott and these--her  
5      Ballot Question Committee, the IDC and the MDC  
6      are all one and the same.   Then, why would  
7      Capital Seven have given money to them as three  
8      different entities, to flow through to the  
9      Ballet Question Committee.

10           MR. MERRILL:   I think you would probably  
11      have to ask Capital Seven that question.   I  
12      don't have an answer as to why it was done the  
13      way it was done.

14           CHAIR MATHESON:   But isn't that why we have  
15      ended up having to create these other entities?  
16      These other Ballot Question Committees?

17           MR. MERRILL:   No, we did that as a result of  
18      the Committee telling us that because there was  
19      this \$5,000 trigger that we had to register Lisa  
20      Scott.   And when we went back and double checked  
21      the record, we realized that it was Lisa and her  
22      two companies, and we registered all three of  
23      them.

24           CHAIR MATHESON:   Okay, okay.

25           COMMISSIONER BRADFORD A. PATTERSHALL:   Mr.

2       Merrill, you're essentially saying that the       1  
3       contributions made by IDC, MDC, and Lisa Scott  
4       were to an already existing BQC, the HJF, and  
5       therefore did not constitute separate Ballot  
6       Question Committees themselves. Is that your  
7       argument?

8               MR. MERRILL: Correct.

9               MR. PATTERSHALL: Okay. I just wanted to  
10       make sure I understand that.

11              CHAIR MATHESON: Yes?

12              COMMISSIONER NASS: At least as I view it,  
13       our job here is to compile and collect  
14       information to make available to the public, so  
15       they can understand who is supporting this.  
16       That's in itself somewhat controversial but  
17       that's what we're here for. So we have these  
18       two organizations, Capital Seven, Regent Able  
19       Associations Company, apparently making--  
20       funneling large quantities of money into this  
21       BOQ [phonetic]. We have a bank account in  
22       Idaho, which is an interesting sideline to this.  
23       This thing is just too--you know, why, if  
24       something that's all Lisa Scott, why isn't just  
25       all these checks, this money, coming from Lisa

2       Scott?   What is the purpose of all this stuff   2  
3       over here?

4               MR. MERRILL:   I'm not sure that I understand  
5       your question.

6               COMMISSIONER NASS:   Okay.   Well, I'm not  
7       sure I understand why all this money is coming  
8       from all these different entities into something  
9       that our job is to make sure that the public in  
10       Maine, the voting public, can understand who is  
11       funding this thing.   And it's coming from all  
12       different places.   And the really small item  
13       here that I picked up on is the Idaho bank  
14       account.   What the heck does that have to do  
15       with anything?   And helping us to understand  
16       what's going on.   It's not that she can't do it  
17       but, you know, Lisa Scott apparently and whoever  
18       is behind these other organizations over on this  
19       side apparently have made this extremely  
20       complicated and I don't understand why.   Can you  
21       explain why?

22               MR. MERRILL:   Why she does her business with  
23       Idaho bank?

24               COMMISSIONER NASS:   No, why it's so--why the  
25       money is flowing in from all these different



2       entities and all these different places into       3  
3       a--into a process that we're supposed to help  
4       voters in Maine understand where the money is  
5       coming from.  If it's all Lisa Scott, why don't  
6       these checks have Lisa Scott's name on it?

7               MR. MERRILL:  Well, some of them did.

8               COMMISSIONER NASS:  Some of them, a lot of  
9       them didn't.

10              MR. MERRILL:  Well, they--yeah, they came  
11       from MDC and IDC.

12              COMMISSIONER NASS:  Right.  Why?

13              MR. MERRILL:  Because that's where the money  
14       was coming from that funded the campaign.

15              COMMISSIONER NASS:  But it's all Lisa Scott?

16              MR. MERRILL:  It's all Lisa--

17              COMMISSIONER NASS:  [Interposing] The  
18       people--the voters of Maine have a right to know  
19       who is funding this thing.

20              MR. MERRILL:  I know and that gets back--

21              COMMISSIONER NASS:  [Interposing] That's our  
22       job.

23              MR. MERRILL:  That gets back to the original  
24       question we're talking about.  And one of the  
25       problems that Ms. Timberlake and I have had, is

2      that why doesn't the statutes that guide the      4  
3      reporting and requirements for ballot question  
4      committee, why isn't there a statute that talks  
5      about original source? The State of Maine has  
6      other statutes and one of them that we raised to  
7      Mr. Wayne is, for example, Ms. Timberlake is a  
8      registered lobbyist. Every quarter when she has  
9      to file her reports there is an electronic  
10     filing and it literally blinks at you and says,  
11     "Have you complied with the original source?"

12             And I cited in my letter there is a statute  
13     that defines what "original source" means. We  
14     don't have that here. We don't have original  
15     source. So when you're asking--you're basically  
16     saying you want to know what the original source  
17     was of these contributions. You don't have a  
18     statute that requires that but we know that  
19     there is one and I cited it's in Title 3. And  
20     we know about it because Ms. Timberlake has to  
21     comply with that original source every time she  
22     files a report.

23             COMMISSIONER NASS: And what you do know is  
24     that the voters of Maine have a right to know  
25     where the money is coming from, and you've made

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2           that particularly difficult here by having           5

3           these multiple sources and bank accounts. And

4           if it's all Lisa Scott, you know, it should be

5           easily related to Lisa Scott, and it's not.

6           It's all over the place here.

7           MR. MERRILL: But with all due respect,

8           that's a problem in the way the statute is

9           written now.

10          COMMISSIONER NASS: No, it isn't. No,

11          that's smoke and mirrors. It's not--

12          MR. MERRILL: [Interposing] No. Will you

13          show me somewhere in these statutes where we

14          have to disclose original source? It isn't

15          there.

16          COMMISSIONER LEE: I think that one of

17          Commissioner Nass's questions is, Mr. Merrill,

18          why is there an intermediate layer of legal

19          entities that this money passes through when it

20          could just as easily been a check written by

21          Capital Seven directly to Lisa Scott or directly

22          to the Horseracing Jobs Fairness. Why does this

23          money go through some intermediate entity?

24          MR. MERRILL: I think--

25          COMMISSIONER LEE: [Interposing] Is that--

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2       and I don't want to take--

6

3               COMMISSIONER NASS:   [Interposing] No, it's  
4       perfect.

5               COMMISSIONER LEE:   That seemed to be what I-  
6       -that's what you were hinting at.

7               MR. MERRILL:   I think because of the fact  
8       that the money was loaned to Lisa Scott.

9               COMMISSIONER LEE:   Actually, wasn't the  
10       money loaned to MCD and IDC?

11              MR. MERRILL:   Again, when I say Lisa Scott,  
12       I'm including her two companies.

13              COMMISSIONER LEE:   Well, for question and  
14       answer purposes here I think it's going to be  
15       very important to be very particular because if  
16       you say Lisa Scott I just think Lisa Scott.  I  
17       don't think MDC or IDC because they are two  
18       separate legal entities, capable of suing and  
19       being sued in its own names.

20              MR. MERRILL:   And she--it's a single member  
21       entity.

22              COMMISSIONER LEE:   That is correct and, as  
23       you said it, one of the purposes of the  
24       formation was to be a shield from individual  
25       liability.  Which by definition makes it to be

2       something different than Lisa Scott because if  
3       it was Lisa Scott then she wouldn't have that  
4       protection from individual liability, correct?

5               MR. MERRILL:   Mm-hmm.

6               COMMISSIONER LEE:   Okay.   So why this  
7       intermediate layer?

8               MR. MERRILL:   Again, I don't--

9               COMMISSIONER LEE:   [Interposing] I mean if  
10       it's money that's--if it's money that's going to  
11       be going to try to influence a Ballot Question  
12       and it--and there is maybe some dispute about  
13       how much of it was going to that purpose but  
14       certainly a lot of it going to that purpose, why  
15       not have it just go directly to the BQC or Lisa  
16       Scott, who is going to be using it for those  
17       purposes?

18              MR. MERRILL:   And I really think you have to  
19       ask Capital Seven and Regent Able that question.  
20       I can't tell you why the money was sent to the  
21       companies it was sent to or why it wasn't sent  
22       directly to Horseracing Jobs Fairness.

23              COMMISSIONER LEE:   I had a follow-up, if I  
24       may?

25              CHAIR MATHESON:   Certainly.

2               COMMISSIONER LEE: Do you have in your       8  
3 possession, not necessarily here today but in  
4 your possession at your office or wherever, the  
5 loan documentation obligating MDC and IDC and  
6 for that matter Lisa Scott individually, to  
7 repay these loans?

8               MR. MERRILL: I do not.

9               COMMISSIONER LEE: Have you seen that  
10 documentation?

11              MR. MERRILL: I have not.

12              COMMISSIONER LEE: Do you know who created  
13 that documentation?

14              MR. MERRILL: No.

15              COMMISSIONER LEE: Has--does MDC or IDC have  
16 other legal counsel?

17              MR. MERRILL: I don't know. They may for  
18 other ventures that they're involved in but I'm  
19 not aware of that.

20              COMMISSIONER LEE: I'm presuming with my  
21 questioning that there would have been some  
22 legal involvement in the creation of loan  
23 documents. That's typically a legal function,  
24 terms of repayment, default provisions, and on  
25 and on and on.

2            MR. MERRILL: I don't know. I don't have  
3 the answer to that question.

4            COMMISSIONER LEE: Okay. That's something  
5 yet for us to find out then.

6            MR. MERRILL: Mm-hmm.

7            CHAIR MATHESON: So you're not privy to any  
8 of the terms of the loan?

9            MR. MERRILL: It's my understanding it's a  
10 non-reimbursable loan.

11            COMMISSIONER LEE: A non-reimbursable,  
12 meaning a non-recourse?

13            MR. MERRILL: A non-recourse, she does not  
14 have to pay it back.

15            COMMISSIONER LEE: Isn't that called a gift?

16            MR. MERRILL: You'd have to talk to a tax  
17 attorney about what the ramifications of it are.

18            COMMISSIONER LEE: Well, if you--if you gave  
19 me money and then I don't have to pay it back,  
20 it doesn't really sound like a loan.

21            MR. MERRILL: Well, I--my understanding is  
22 that if the petition were to fail, the ballot  
23 measure were to fail, Ms. Scott would not be  
24 responsible for having to repay the money.

25            COMMISSIONER LEE: But if it were to

2        succeed?

0

3                MR. MERRILL:    Then there is a possibility  
4        that there might be a benefit to her.

5                COMMISSIONER LEE:    Well, if it fails she  
6        doesn't have to pay it back and if it passes,  
7        when you say it benefits her, meaning she also  
8        doesn't have to pay it back?

9                MR. MERRILL:    Well, she might have to pay it  
10        back but she might have a benefit that would  
11        offset the terms of the loans.

12                COMMISSIONER LEE:    Is the source of the  
13        information you're giving us here regarding the  
14        loans now based on something you have been told  
15        or based on your review of documents?

16                MR. MERRILL:    Based on my conversation with  
17        my client.

18                COMMISSIONER LEE:    Okay.    Not any of it  
19        based on anything in writing you have seen?

20                MR. MERRILL:    Nothing that I've seen, no.

21                COMMISSIONER LEE:    Okay.    It's all verbal?

22                MR. MERRILL:    Correct.

23                COMMISSIONER LEE:    Okay, thank you.    Again,  
24        I've been asking quite a few questions and I  
25        know other people have questions.





2           CHAIR MATHESON:   [Interposing] Because the   2  
3       statute appears to--

4           MR. WAYNE:   [Interposing] Right, that  
5       certainly her, that some of the money could be  
6       used for a political campaign in Maine.

7           CHAIR MATHESON:   Thank you.

8           MR. WAYNE:   That's what our contribution is  
9       under the BQC statute, that would--more than  
10       five--she received more than \$5,000 in those  
11       categories.   That's why we believe all this  
12       reporting should have been done earlier.

13           CHAIR MATHESON:   Right.   So it's not  
14       something that--I guess I'm just getting to one  
15       of your first points made, that why wasn't this  
16       picked up when we first saw \$25,000 of her  
17       contributions.   And I think that's why, because  
18       it had nothing to do--I mean people give money.  
19       People who have, you know, individuals who have  
20       whatever cause that they feel to support will  
21       give money in.   And sometimes a large amount but  
22       it's the fact that it doesn't look like--it  
23       looks like she received contributions in excess  
24       of that amount.   That's the trigger.   So I just  
25       wanted to clarify that.   Right?

2           MR. MERRILL: But the problem with that is 3  
3 the definition of contribution. She did not  
4 solicit the money.

5           CHAIR MATHESON: You don't have to.

6           MR. MERRILL: She didn't request it. If  
7 it's a--if it's a loan to her or even a gift, as  
8 Mr. Lee has suggested, does that qualify as a  
9 contribution?

10          CHAIR MATHESON: It may.

11          MR. MERRILL: But, see, that--

12          CHAIR MATHESON: [Interposing] It may.

13          MR. MERRILL: That's the question. It may.

14          CHAIR MATHESON: That is the question.

15          MR. MERRILL: It's not clear from the  
16 statute that it does. It may.

17          COMMISSIONER LEE: Depending on the purpose.

18          COMMISSIONER NASS: So for Jonathan and then  
19 hopefully for a comment from Mr. Merrill, on  
20 page nine of the commentary at the bottom, just  
21 so we're clear, the loan--item C, title "Loans  
22 by Capital Seven LLC and Regent Able Associates  
23 Company," on the last line, I just want  
24 everybody to understand that all of this,  
25 according to your comments, Jonathan, all of the

2       funds provided to the BQC for the initiative       4  
3       were derived from large loans. So there is no--  
4       all of this money, apparently what we're talking  
5       about here, came from these folks. And this is  
6       in the second round of reporting here. So again  
7       the connection suggesting that this is all Lisa  
8       Scott is just--all of the money that came from  
9       these subsidiary or corporations that are off to  
10      the side here.

11       MR. MERRILL: At the time that the original  
12      reports were filed.

13       COMMISSIONER NASS: Right.

14       MR. MERRILL: Ms. Timberlake believed that  
15      the money was all Lisa Scott's, whether it was  
16      Lisa's, MDC's, or IDC's, and that's why reports  
17      were filed away. They were.

18       COMMISSIONER NASS: Okay.

19       MR. MERRILL: Because as we read the statute  
20      it was her money that she was putting into  
21      Horseracing Jobs Fairness either again from her  
22      own accounts or from her two businesses. And we  
23      read that as being it was Lisa Scott's money.

24       COMMISSIONER NASS: Okay. And that  
25      obviously is a big concern to us. And on page

2      20, Jonathan, at the top of the--this

5

3      contention that this money was not

4      contributions, that it was investments, at the

5      end of line 4 you use the term "investments" as

6      opposed to contributions. I mean is that still

7      a contention, that these were investments and

8      not contributions? That goes back to the loan

9      versus gift issue. So I mean I can't see how we

10     can come up with the term "investments" when

11     nobody is contending as to what other functions

12     these companies have or do. We haven't even

13     begun to talk about their association with the

14     other Scott here, which is really the problem

15     and a whole history that goes along with that.

16     We haven't--you know, we're--that's someplace

17     else. That may not be within our purview but it

18     certainly weighs heavy in here, in this whole

19     process. I guess that was a statement, not a

20     question.

21            CHAIR MATHESON: Commissioner Lowry?

22            COMMISSIONER MERI N. LOWRY: So I thought

23     that Commissioner Pattershall's question to you

24     and your response were really telling because he

25     asked if you made your decisions based on

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2      amounts contributed. And it's not amounts      6  
3      contributed by Lisa Scott that determine  
4      whether--or any of the other entities--whether a  
5      ballot question committee has been created. The  
6      issue is have they received monies for that  
7      purpose. And so it--so I--so I think that it is  
8      because of a misunderstanding. You thought that  
9      because she contributed the money that was  
10     sufficient. Well, it's be--it all turns on the  
11     receipt of monies for the particular purpose.  
12     And so I can understand how filings were made in  
13     this certain way. I can understand how the  
14     Ethics Commission thought that what you said was  
15     true, but in fact in further looking it appears  
16     that at least the three that you filed as ballot  
17     question committees late are in fact ballot  
18     question committees. And of course I am left  
19     wondering whether Capital Seven and Regent Able  
20     Associates also received monies for the purpose  
21     of supporting the ballot question initiative.  
22     And I think that's--so that's an open issue.  
23     For me that remains open and would be good to  
24     know.

25            MR. MERRILL: And I'm not disagreeing with

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2       what you said. Obviously the reason why we       7  
3       came forward and filed the three BQCs and  
4       amended the original BQC for Horseracing Jobs  
5       Fairness was that after Cheryl and I met with  
6       the committee and they said, "Well, no, your  
7       reading of it is wrong."

8               COMMISSIONER LOWRY:   Mm-hmm.

9               MR. MERRILL:   Okay? What I'm trying to say  
10       is that in good faith we complied with our  
11       understanding of the statute at the time. When  
12       we were told by Jonathan and his staff, well,  
13       no, if it's a contribution that's received from  
14       somebody else you have to do it, we immediately  
15       filed those and we amended the original one.  
16       Okay? So I think we had an honest disagreement  
17       of our understanding of what was required at the  
18       time, but it was done in good faith and that's  
19       why I want to emphasize that Cheryl asked for a  
20       meeting in the very beginning, after she filed  
21       the very first report saying, "Are we in  
22       compliance?" Because she wanted to do it right.  
23       There was never any intent not to do it right.

24               COMMISSIONER LOWRY:   It makes a difference  
25       to me to hear you say that you filed the three,

2      Lisa Scott as a BQC, IDC and MDC each as BQC's      8  
3      in order to do it right because in your letter  
4      you say you did it just as a courtesy. And I am  
5      glad to have you confirm that it is something  
6      that needed to be done in order to do it right.

7            MR. MERRILL: Well, I'm saying that the  
8      statute is unclear, which is what created the  
9      problem to begin with. But when we met with the  
10     staff and they said "This is what you need to  
11     do," we wanted to do it. We've always wanted to  
12     do it right. Cheryl wanted to do it right from  
13     day one.

14            COMMISSIONER LOWRY: Yes. Yes, every person  
15     that comes before us wants to do it right.

16            MR. MERRILL: So when we were told that you  
17     have to do it this way, we did it that way.

18            COMMISSIONER LOWRY: Yes. And I just want  
19     to--since I'm already talking I'm going to  
20     change to one other point. There is a  
21     difference between--well, I'm just thinking  
22     about whether--you characterize the loans as  
23     being non-recourse. Non-recourse loans are to  
24     be paid back. The non-recourse nature of the  
25     loan doesn't change the obligation for paying



2        back. It just changes what asset groups can        9  
3        be reached. So there seemed to be in what you  
4        said some confusion. Well, because they're non-  
5        recourse they don't need to be paid back. And  
6        I'm just saying that in fact they do.

7                MR. MERRILL: Non-recourse was not my word.  
8        That was Mr. Lee's.

9                COMMISSIONER LOWRY: Okay.

10               MR. MERRILL: I said they were non-  
11        reimbursable.

12               COMMISSIONER LOWRY: Okay, thank you.

13               COMMISSIONER PATTERSHALL: Can I ask a  
14        question?

15               CHAIR MATHESON: Yes, certainly.

16               COMMISSIONER PATTERSHALL: Jonathan, you  
17        have footnote two on page five of your memo you  
18        indicate that the exception for donations to  
19        BQCs was not part of Section 1056(b) until July  
20        29th of 2016. Is that--that's correct?

21               MR. WAYNE: That's right.

22               COMMISSIONER PATTERSHALL: So any  
23        contributions made by Ms. Scott prior to that  
24        date would have mandated her filing as a BQC?

25               MR. WAYNE: That would in itself have

2       required her to register as a BQC.

0

3               COMMISSIONER PATTERSHALL:   As it's written  
4       now, however, if there were only expenditures  
5       made to the BQC, as it's written now, that would  
6       not require a separate filing.

7               MR. WAYNE:   The fact--except that she  
8       continued--yes, that's true.

9               COMMISSIONER PATTERSHALL:   Only her  
10       expenditures.

11              MR. WAYNE:   Only on the spending side of her  
12       activity.

13              COMMISSIONER PATTERSHALL:   Now it would not  
14       require it.

15              MR. WAYNE:   Correct.

16              COMMISSIONER PATTERSHALL:   But back at the  
17       beginning, when this was first filed, that  
18       exception didn't exist?

19              MR. WAYNE:   Yes.

20              COMMISSIONER PATTERSHALL:   Okay.

21              COMMISSIONER LEE:   I have a question.

22              CHAIR MATHESON:   Certainly.

23              COMMISSIONER LEE:   Yeah.   Mr. Merrill, you  
24       said that Cheryl Timberlake was trying to do it  
25       right and was basing it on the information she

2 had, which and that information was that she 1  
3 believed that this was all Lisa Scott's money.  
4 Are you saying that Lisa Scott never told Cheryl  
5 Timberlake that the source of the funds was  
6 ultimately Capital Seven and Regent Able?

7 MR. MERRILL: I think you should ask Cheryl  
8 Timberlake that question because I don't want to  
9 misspeak. It's my understanding that she  
10 believed that all of the money was Lisa Scott's.

11 COMMISSIONER LEE: I'm just obviously  
12 wondering why in the world Lisa Scott wouldn't  
13 have--Cheryl is the Treasurer and Lisa is the  
14 Principal, why they wouldn't have had a  
15 conversation of something so fundamental as  
16 where did the money come from, particularly  
17 since we're talking about several million  
18 dollars.

19 MR. MERRILL: I believe that Ms. Timberlake  
20 believed all along that the money was Lisa  
21 Scott's.

22 COMMISSIONER LEE: Okay. And, as you said,  
23 that would be further questioning of Ms.  
24 Timberlake, to get into the details of that.  
25 You don't have any other information to be able

2           to add on that point?           2

3                   MR. MERRILL:    No.

4                   CHAIR MATHESON:   Are you--are you in  
5           possession of the bank statements that were  
6           relied upon?

7                   MR. MERRILL:    The ones that I reviewed with  
8           Ms. Timberlake.

9                   CHAIR MATHESON:   And what did that show as  
10          the source?

11                  MR. MERRILL:    That the money came in from  
12          Lisa Scott, IDC, and MDC.

13                  CHAIR MATHESON:   Oh, it did come in from the  
14          two LLCs?   It was in the bank statements?

15                  MR. MERRILL:    Some of them.

16                  CHAIR MATHESON:   It would be interesting I  
17          think--

18                  COMMISSIONER LEE:   So then why wouldn't  
19          Cheryl Timberlake know that some of the money  
20          came from two other legal entities, besides Lisa  
21          Scott?

22                  MR. MERRILL:    Because she believed that it  
23          was all Lisa Scott.

24                  COMMISSIONER LEE:   I'm--

25                  MR. MERRILL:    [Interposing] There would--for



2        have this information, Mr. Merrill, but you're 4  
3        here and we're trying--we have to make a couple  
4        of decisions here today and it's going to be  
5        based on the information we have here today.  
6        There is I think in your letter a statement that  
7        these--the money that MDC and IDC received, some  
8        of that was used for the ballot purposes but  
9        some of it was used for investments, other  
10       investments that I guess you could call--this is  
11       investing money in a BQC as an investment.

12                MR. MERRILL:    Other ventures.

13                COMMISSIONER LEE:    Other ventures, sure.    Do  
14        you--have you seen any documentation to show a  
15        breakdown as to how much was going this way, how  
16        much was going in another direction?

17                MR. MERRILL:    No.

18                COMMISSIONER LEE:    Do you believe there is  
19        documentation that would exist to show that?

20                MR. MERRILL:    I have no idea.    You'd have to  
21        talk to counsel for Regent Able or Capital  
22        Seven.

23                COMMISSIONER LEE:    Well, money that goes  
24        from Capital Seven to MDC and MDC then decides  
25        where it's going to go is an MDC decision.

2            MR. MERRILL: Oh, I'm sorry. I  
3        misunderstood your question.

4            COMMISSIONER LEE: Yeah. I'm trying to--  
5        because I think one of the arguments is, wait a  
6        minute, this is--this was money given to MDC but  
7        it's given for multiple purposes. So it's not--  
8        I think the word "solely" was used somewhere in  
9        there--not solely to influence a ballot question  
10       and therefore it shouldn't necessarily qualify  
11       as a contribution triggering the requirement to  
12       register as a BQC. And so relevant to that it  
13       would seem to me would be what is that  
14       breakdown. I mean is it a million dollars for  
15       the influencing the ballot and \$100 for  
16       something else? Obviously it would lead us to  
17       one view. One the other hand, if it was half  
18       for some real estate investment and half for  
19       influencing the ballot, that might make it look  
20       somewhat different. So I'm trying to determine  
21       if you're aware of documentation that would show  
22       how this money that MDC had was being  
23       apportioned for these different purposes.

24            MR. MERRILL: The only one that I can speak  
25        to is if you look under Exhibit 19, which is the

2       letter from the legislature to Ms. Matheson       6  
3       dated April 6th.

4               COMMISSIONER LEE:    Yes.

5               MR. MERRILL:    And if you look at Exhibit 1  
6       to that it shows that Regent Able Company--now  
7       this is Massachusetts, not Maine--but Regent  
8       Able Associate Company through Maine Development  
9       Concepts had contributed \$854,537.93 to the  
10      initiative in Massachusetts.

11              COMMISSIONER LEE:    Oh, that in other words  
12      that was some of the money--

13              MR. MERRILL:    [Interposing] Regent Able had  
14      lent to MDC or to Lisa Scott.

15              COMMISSIONER LOWRY:    So help--can you help  
16      me find that, what you're looking at?

17              MR. MERRILL:    Yes.    It's the first exhibit  
18      after the letter dated April 6 under tab 19.

19              COMMISSIONER LOWRY:    Okay.    So actually I  
20      think it's the second exhibit.

21              MR. MERRILL:    And it says original source of  
22      funds and committee reported contributions from.  
23      And I--and I just note that original source of  
24      funds is by statute of Massachusetts.

25              COMMISSIONER LOWRY:    Mm-hmm.    So,



2       Commissioner Lee, I don't know if--I mean I       7  
3       did the math based on these charts and of three  
4       million provided, something more than three  
5       million provided to Lisa Scott Ballot Question  
6       Committee by Capital Seven, but Lisa Scott BQC  
7       retained 25,000. Meaning that well over three  
8       million was contributed to the HRJF Ballot  
9       Question Committee. And similarly there was a  
10      similar hugely lopsided flow of money where  
11      Regent Able contributed \$1,200,000 to MDC which  
12      retained only 150,000 of it. And the remainder  
13      went to the--

14           COMMISSIONER LEE: [Interposing] Right, well  
15      over 90 percent.

16           CHAIR MATHESON: Yeah, yeah.

17           COMMISSIONER LEE: And this--if I may?

18           CHAIR MATHESON: Absolutely.

19           COMMISSIONER LEE: This 854,000 that you've  
20      referenced as in the exhibit to number 19 of the  
21      Commission Staff's submission, that 854,000, are  
22      you saying that that's Capital Productions.  
23      Regent Able gave money to Capital Productions.  
24      How does that relate to our situation here? Are  
25      we not looking at the same document?

2           MR. MERRILL:   The money--the money came       8  
3 through Miami Development Concepts LLC.

4           COMMISSIONER LEE:   Okay.   I'm sorry.   It  
5 says through--

6           MR. MERRILL:   [Interposing] And your  
7 question was did I know of any other ventures  
8 that MDC was involved in.   I just pointed this  
9 out as one that was involved in Massachusetts.

10          COMMISSIONER LEE:   Okay.

11          COMMISSIONER NASS:   But you're not  
12 characterizing that as an investment or a loan?  
13 I mean it was just the same problem that we  
14 have.   It's money falling into a political  
15 campaign.   Clearly that's what--

16          MR. MERRILL:   [Interposing] Well, the  
17 question was did I know of any other ventures  
18 that MDC was involved in with this money, and  
19 this was the only one that I can point to.

20          COMMISSIONER NASS:   Okay.

21          COMMISSIONER LEE:   It actually might be  
22 separate filing.

23          MR. MERRILL:   It could be.   I don't know.   I  
24 don't know how much money in total was given to  
25 Lisa Scott by either of these other two

2      entities.      9

3                    COMMISSIONER LEE:    Well, the Miami  
4      Development, either MDI or--either MDC or IDC,  
5      almost all the money that it--that went, that  
6      came in and has been described in these loans  
7      ended up going into this ballot question here in  
8      Maine, well in excess of 90 percent, which would  
9      suggest that this \$854,000 represents some  
10     additional loan that Regent Able may have made  
11     to MDC.

12                   MR. MERRILL:    I don't know that that's  
13     necessarily true.    It is my understanding that  
14     Regent Able and Capital Seven have made loans to  
15     Lisa Scott, to invest in various ventures.    So I  
16     don't know that this is a separate contribution  
17     or a separate loan, or whether it's all part of  
18     one pot of money.    I don't know the answer to  
19     that question.

20                   COMMISSIONER LEE:    Okay.    Just when you add  
21     the totals it comes up significantly larger.  
22     But, again, we don't have specific figures here  
23     today.    I understand.

24                   CHAIR MATHESON:    Do you have anything else  
25     that you'd care to add?    And then we'll see if

2       anybody else has anything they want to.

0

3               MR. MERRILL:  No, not at this time.  Thank  
4       you.  I appreciate you allowing me to appear  
5       before you.  Thank you.

6               MULTIPLE VOICES:  Thank you.

7               COMMISSIONER LEE:  Thank you very much.

8               CHAIR MATHESON:  Thank you for coming in.

9               COMMISSIONER NASS:  I have one other  
10       question just before you go.

11              CHAIR MATHESON:  Oh, okay, Commissioner.

12              COMMISSIONER NASS:  Because in your--in your  
13       report you refer to Ms. Timberlake as the  
14       Treasurer hired to retain the services of a  
15       third party accounting firm MacDonald Page.  Are  
16       they--was that the same company?  Was it the  
17       same person from MacDonald Page that was  
18       prominent in the Harness Racing Commission  
19       report?

20              MR. MERRILL:  I don't know the answer.  
21       You'd have to ask Ms. Timberlake that.  I don't  
22       know the answer to that.

23              COMMISSIONER NASS:  Thank you.

24              MR. MERRILL:  But she--again, in an effort  
25       to be as thorough as she could, she hired an

2       independent accounting firm to look at  
3       everything she had done.

1

4               COMMISSIONER NASS:   Thank you.

5               CHAIR MATHESON:   Okay, thank you.  Is there  
6       anybody else out there who cares to address the  
7       Commission?  Yes?  Okay, thank you.  Thank you  
8       again, Mr. Merrill.

9               MR. MERRILL:   Thank you.

10              CHAIR MATHESON:   Good morning.

11              MS. ALEXIS FALLON:   Good morning.

12              CHAIR MATHESON:   If you would please  
13       introduce yourself for the record?

14              MS. FALLON:   Alexis Fallon, I am the  
15       attorney for Capital Seven and Regent Able.  I  
16       can address some of the questions that  
17       Commissioner Nass and Commissioner Lee have  
18       about tax questions.  I am a tax attorney for  
19       the Scott Family Enterprises.  I've worked for  
20       them for over 14 years.  So there are a lot of  
21       reasons why people do LLC structures and really  
22       it has absolutely nothing to do with disguising  
23       the source.

24              This is a political issue within the  
25       Committee and I understand that.  We do

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2      understand there is a distinct difference as      2  
3      to how corporations govern their business  
4      practices and why do we create LLCs. And why do  
5      we do that? Well, we do it because when we  
6      acquire properties we put individual target  
7      properties into particular LLCs to again  
8      restrict liability, of course, but as well to  
9      book all of the transactions and to keep it  
10     organized. So it's pretty straightforward. And  
11     then what we do is called "check the box  
12     election," which is a tax term that allows it to  
13     flow through up to the parent corporation or to  
14     the individual that owns the entity. So at the  
15     end of the day for tax purposes and the reasons  
16     why we do things are usually have absolutely  
17     nothing to do with the political aspect of  
18     disclosure.

19             Really, it looks--when I look from your side  
20     of the fence and I see, Commissioner Nass, that  
21     you look at all this micron of LLCs and you're  
22     going, "Why did they make it so complicated?"  
23     Well, it really is just all about how people  
24     structure property transactions. And we usually  
25     do use one LLC per one large development

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2      property. We always do it that way. It's      3  
3      never been any different. You know if we  
4      weren't involved in a political campaign it  
5      really has never become an issue until this  
6      last, you know, year or two, that this is the  
7      way it's always been done. I've done this for  
8      other clients as well.

9              So when we go out, we're setting up entities  
10      and we're doing structuring for tax purposes  
11      that is totally lawful, as well as for  
12      liability, because we want to keep the property  
13      inside an LLC and restrict it and we know  
14      everything is all organized and we have all the  
15      licensures and everything done with that  
16      particular entity, in that particular state. So  
17      there is a distinct difference between regular  
18      corporate business that never ever has any  
19      malfeasance or bad intentions, in terms of how  
20      they're setting up a structure, versus what's  
21      required when we come into a political arena.

22              So this is--this is where I see that there  
23      is a little bit of a tension between what  
24      someone from the political side of things in  
25      campaign finance would look at entities and then

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2      question are these special purpose vehicles.      4

3      Were these corporations created to disguise?

4      Well, no. They were owned by Lisa Scott. The  
5      entity, Capital Seven, we already know was owned  
6      by Shawn Scott. Nobody was trying to hide  
7      anything. This is just the--this is just  
8      corporate structures. If we wanted to hide, I  
9      guess we would probably have said we could put  
10     different people I guess. It would have been  
11     completely separate from the Scott family.

12            I'll be honest with you. If we really were  
13     here to disguise, which we're not, why would we  
14     have Lisa, Lisa Scott, Shawn's sister? And this  
15     is what Lisa wanted to do in the State of Maine.  
16     We were--my client's helping her. This is what  
17     she wanted to do. It's a family business.  
18     Okay? So at the end of the day there isn't very  
19     much like the voters already know the Scott  
20     family. I don't think we can hide that. We  
21     can't--we never tried to hide that Lisa was the  
22     sister of Shawn. So I don't think anybody here  
23     didn't know that Lisa Scott was the sister of  
24     Shawn Scott. She did a press release as well to  
25     that effect, she did.

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2      exactly, but I will tell you in general. So, 6  
3      you know, just to--when the family creates  
4      different corporate entities they do target  
5      properties to purchase, whether it would be--you  
6      know, it could be in the State of Massachusetts,  
7      the State of Maine, or elsewhere. They will  
8      focus on and provide funding, so that those  
9      properties can be acquired. So they will give  
10     the money as a structuring to facilitate the  
11     acquisition of properties. Now, which  
12     properties were acquired? I'd have to go look  
13     but they did. They did. I'll have to look  
14     though.

15            COMMISSIONER LOWRY: So I think--

16            CHAIR MATHESON: [Interposing] Go ahead.

17            COMMISSIONER LOWRY: --Commissioner, you may  
18     have just asked the question that I also have.  
19     You indicate that there is--that to keep things  
20     orderly and tidy there is normally one LLC for  
21     each property acquisition. So I was going to  
22     ask what were the--what property is being held  
23     by, what development property is being held by  
24     MDC and what's being held by IDC?

25            MS. FALLON: Right. So what happened was is

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2      we had Capital Productions. I can answer to 7  
3      the Massachusetts fact because I worked with  
4      that particular issue. So I won't--I won't  
5      address the Maine in particular because I  
6      absolutely know this, which is MDC created  
7      Capital Productions. Capital Productions was--  
8      so it's a baby corporation under MDC. Capital  
9      Productions was the vehicle to acquire property  
10     in Massachusetts. And the funding went through  
11     MDC to Capital Productions for the particular  
12     property that they did acquire. And they did  
13     acquire two or three parcels in the State of  
14     Massachusetts. And it was specifically for  
15     that, like the money went straight, and that's  
16     what Lisa did, created. And then they purchased  
17     the properties through Capital Productions.  
18     Absolutely, that was done.

19             Now, with regards to the State of Maine, I  
20     don't know all those transactions.

21             COMMISSIONER LOWRY: Oh, but you--are you  
22     suggesting that--because you--I thought you were  
23     talking about real estate property ventures.

24             MS. FALLON: Right, that was real estate.  
25     So MDC funded Capital Productions. Capital



2           MS. FALLON:   [Interposing] Yeah.

3           COMMISSIONER NASS:   --it describes as  
4 completely disorganized--I mean a number of  
5 state investigators weighed in on that;  
6 Louisiana, New York.   So I--is it your sense  
7 that you were brought on board to organize this  
8 what they described as pretty much of a mess?

9           MS. FALLON:   Well, 14 years is a long time.

10          COMMISSIONER NASS:   Yeah.

11          MS. FALLON:   And there has been a lot of  
12 money made in 14 years.   So they've actually  
13 gotten bigger.   So from that point on I would  
14 say from a corporate maturity level they've  
15 taken their successes and leveraged off of them  
16 and had more successes.

17          COMMISSIONER NASS:   Well, that didn't--the  
18 report didn't describe a lot of successes.   It  
19 described a disorganized legal mess.   I don't  
20 know how else to describe it.   It would be my  
21 contention with the inability to get  
22 information, inability to draw conclusions.   And  
23 it is--you're right, it's been a long time but I  
24 don't--from this, the description of what's  
25 happening now, I don't see that anything has

2 changed. 0

3 MS. FALLON: Well, I think that the fact a  
4 long time ago, 14 years ago, we didn't have as  
5 much history. Now we know, for example, Capital  
6 Seven sold its rights to Penn National for 51  
7 million dollars and then had an additional sales  
8 transaction a few years later of 16 million. We  
9 know that the various entities that have had  
10 gaming interests have sold. And these entities  
11 have been sold to publically traded entities  
12 that are on the New York Stock Exchange. There  
13 has been full disclosure in all the SEC filings  
14 of the amount of money that the Scott Family  
15 Enterprises has received. It's completely  
16 documented. It's public information.

17 So while it's true there was that derogatory  
18 report about the harnessing, you know,  
19 Horseracing Commission, I also juxtapose the SEC  
20 filings of clear indication of the success and  
21 money that they made. So I've always been a  
22 little confused because nobody looks to the  
23 public filings and the absolute earnings that  
24 they made in other ventures in Louisiana, as  
25 well as in New York, as well as in the State of

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2        Maine.

1

3                COMMISSIONER NASS:    So those would all be  
4        available if this Commission decides to  
5        investigate?

6                MS. FALLON:    Sure.    Sure, you could go on  
7        the SEC filings and see exactly how much the  
8        acquisitions were because they have to be  
9        disclosed.    And these amounts are--which is  
10       interesting because nobody ever goes to those  
11       filings to show that whenever a publicly traded  
12       company acquires anything it must be detailed  
13       and disclosed to all of its investors.    And  
14       that's the--that information is available to the  
15       public.    And yet not once did I see anybody ever  
16       cite to the public record of success.

17                So that's why I'm right now saying to you  
18        all that, yes, they've had successes.    While of  
19        course this was 14 years ago, as time goes on  
20        their properties have increased.    The amount of  
21        money they've made has increased and the  
22        complexity of the world has increased.    So at  
23        the end of the day even any major corporation  
24        will tell you we have multiple entities.    Like  
25        Bloomberg himself, when he funded an initiative

2       regarding the - - , I'm sure that he did it       2  
3       through various entities but everybody knows Mr.  
4       Bloomberg and he wasn't hiding that, but he does  
5       it through his various enterprises. And it's  
6       really not hidden but it is just a function of  
7       how the business world operates.

8               So, again, I would say that we're not here  
9       to disguise. We are here to cooperate but to  
10       say that there was ever an intent to hide  
11       anything, I'm still going to very strenuously  
12       object to that. I'm sorry.

13               COMMISSIONER PATTERSHALL: You understand  
14       intent doesn't matter here?

15               MS. FALLON: Right.

16               COMMISSIONER PATTERSHALL: This is strict  
17       liability compliance with the--with the finance  
18       laws.

19               MS. FALLON: Right. Well, the finance, it's  
20       interesting because they say that when a  
21       contribution is made is then it triggers the  
22       reporting of a BQC. So it is just the minute  
23       anybody makes a contribution triggers it.  
24       You're right. It is a strict liability  
25       standard, so at that moment. But what's the



2        purpose of the statute? It's the right for        3  
3        the public to know. So we have the Scott family  
4        here. We have Lisa here. The public knows. So  
5        we're not really disguising the thing. Sorry,  
6        we're not. So that's what I was looking at - -  
7        . So, you're right. It is a strict liability  
8        statute but there wasn't--but we're not hiding  
9        the players involved. Sorry, we're not.

10        CHAIR MATHESON: Ms. Fallon, are you  
11        familiar with Universal Capital and can you tell  
12        us how they fit into this puzzle?

13        MS. FALLON: I have to go look myself. I  
14        have to go look myself. And now, mind you, I  
15        will look it up. I do not know how they fit in.  
16        I was brought in.

17        CHAIR MATHESON: Okay.

18        MS. FALLON: I've been pretty busy, so we're  
19        on extension from one of our returns. So in any  
20        event, so you guys--and just like, and the  
21        accountant just died. So it's like--it's like  
22        I'm very--you know, Dave is gone and I've got a  
23        lot of work to do. So right now after I finish  
24        this I have a bunch. I have to put on my  
25        accounting hat and work for the whole summer.

1 So I have--I have to look at it. I'm sorry -  
2 - .

3  
4 CHAIR MATHESON: No, that's okay. Is there  
5 anything else for Ms. Fallon?

6 COMMISSIONER LEE: Ms. Fallon, did you  
7 prepare the loan documents between Capital  
8 Seven, Regent Able, and MDC, Lisa Scott, and  
9 IDC?

10 MS. FALLON: Well, Commissioner Lee, we did  
11 a capital infusion into both entities, a capital  
12 infusion. For lack of knowing how to report it,  
13 we--Lisa Scott's attorney Bruce reported it as a  
14 loan. However, I'm under the understanding that  
15 "contributions" is a very general term and the  
16 only exception from a contribution is a loan by  
17 a bank. And the--and it has to be a US bank in  
18 order for it to be excepted from the definition  
19 of contribution. So am I correct in saying that  
20 none of the individual terms of a loan between  
21 private entities would qualify as a loan, that  
22 loan exception from the definition of  
23 contribution? Am I correct?

24 MR. WAYNE: I don't--the way you described  
25 it, it wouldn't be an exception.

2           MS. FALLON:   Right.   That's right.

5

3           MR. WAYNE:    It's not from a bank.

4           MS. FALLON:    It would be considered a  
5       contribution.   So the only way you can get a  
6       loan--right, so this is the way your statute is  
7       written--is it has to be a bank, from a bank.  
8       So if it's not from a US bank it can't be in the  
9       loan box.   So it falls into the contribution  
10      box.

11          COMMISSIONER LEE:   My question is whether  
12      there--whether you created legal documentation  
13      that evidenced the, I'll call it the transfer of  
14      money from Capital Seven or Regent Able to MDC,  
15      IDC, or Lisa Scott.   It's been characterized in  
16      paperwork we've received as a--as money was  
17      loaned.   And Mr. Merrill said his understanding  
18      was it was a non-reimbursable but if the  
19      initiative was successful there might be some  
20      financial benefit to Lisa Scott.   So I'm just  
21      looking to see if there is written documentation  
22      that describes this transfer that took place and  
23      conditions attached to it and so forth.

24          MS. FALLON:    Well, I think we have to go  
25      back to the statute.   And I think that within

2      the purview of your Commission is whether or      6  
3      not something is considered a contribution or a  
4      loan. And when it is considered a contribution  
5      we just have to indicate the person that made  
6      such contribution and their address and their  
7      information. The only time that a loan and the  
8      terms of a loan can be disclosed is when they're  
9      seeking an exception from being treated as a  
10     contribution. You can--I'm sure I don't want to  
11     speak for Director Wayne and how it's done, but  
12     I'm almost certain that is true. Everything is  
13     a contribution unless you qualify for exception.

14            COMMISSIONER LEE: That's not my question.

15     Is there paperwork to document this transfer of  
16     funds? Whatever we want to call it, is there--  
17     is there paperwork?

18            MS. FALLON: Yes, there is paperwork and it  
19     is considered a contribution, which is what we  
20     wrote in my letter. I'm pretty sure that I said  
21     the broad definition of "contribution," and we  
22     understand the changes in the law in the State  
23     of Maine. So again, Commissioner Lee, there is  
24     a limitation within the statute as to how far  
25     your Commission can go. And I'll be honest with

2        you, that you have contributions which is very        7  
3        broad which will include everything. And the  
4        only exception from being treated as a  
5        contribution is a loan from a bank. So, again,  
6        unless we're trying to seek an exception from  
7        being treated as a contribution, then we have to  
8        provide the documentation, but we're not a bank.  
9        We never represented that we are a bank.

10        COMMISSIONER LEE: If we are trying to  
11        determine the nature of the transfer of funds  
12        and what it qualifies as or does not qualify as,  
13        I believe this Commission will be asking to see  
14        that documentation.

15        MS. FALLON: Right.

16        COMMISSIONER LEE: And that I believe is a  
17        legitimate function of this Commission. So my  
18        question to you, quite simply is, is there  
19        written documentation that deals with the  
20        transfer of these funds, these several million  
21        dollars.

22        MS. FALLON: There is written documentation  
23        as to the transfer.

24        COMMISSIONER LEE: Thank you. That's what I  
25        was trying to point out.

2           MS. FALLON:   Okay.   And we did--

8

3           COMMISSIONER LEE:   [Interposing] Did you  
4       prepare that as attorney for Capital Seven and  
5       Regent Able?

6           MS. FALLON:   No.

7           COMMISSIONER LEE:   Do you know who did  
8       prepare it?

9           MS. FALLON:   I don't think it's beyond your  
10       scope.   I'm sorry.

11          COMMISSIONER LEE:   You said you don't think  
12       it's beyond our scope, therefore it's within our  
13       scope.

14          MS. FALLON:   No, I actually said it is  
15       beyond your scope because I did say that it--do  
16       we have to pull the statute?   Let's all pull the  
17       statute.   Does anybody have a copy, please?

18          COMMISSIONER LEE:   No, no.

19          MS. FALLON:   Because when we look at the  
20       definition of "contribution" we have only one  
21       exception from a contribution which is a bank  
22       loan from a US bank.   So, again, I go back to  
23       contribution is very broad.   It includes  
24       everything, gifts, whatever.   And I looked at  
25       the statute under 1052 as well as under 1056.

2      So, again, what I'm confused at is which      9  
3      direction does the Commission want. Does it  
4      want to have it treated as a contribution or  
5      does it want it have treated as a loan?

6                    COMMISSIONER LEE: I don't know what it is.  
7      At this point in time, all we are doing is we  
8      have to make a determination based on the  
9      information that has been provided to us here  
10     today whether or not there is sufficient grounds  
11     to have an investigation. And if we decide that  
12     there is, we have the authority to direct the  
13     Commission staff in the scope of that  
14     investigation. And part of that could be of  
15     course gathering of documents. And I'm trying  
16     to determine whether certain documents exist.  
17     And I believe you've told me yes, there is  
18     written documentation. That was the beginning  
19     of my questioning several minutes ago as to  
20     whether it exists. Because if we do request an  
21     investigation I expect that the Commission staff  
22     is going to be requesting that paperwork, to  
23     determine exactly what it is, what it isn't.  
24     And if it doesn't add up to anything that's  
25     fine.

2            We're not here today in any way, shape, or 0  
3 form, making some determination that there has  
4 been a violation of the election laws here. Not  
5 at all. We are at a very preliminary stage  
6 where we're trying to decide is there enough to  
7 say this matter should be looked into further.  
8 And this Commission is voted in other  
9 circumstances to not have an investigation.  
10 It's voted--in other circumstances we've voted  
11 to have one. We've actually had circumstances  
12 where all the facts were brought forward at that  
13 preliminary stage and we made a decision and we  
14 decided there was no violation. We got another  
15 one and we decided that there--that there was.

16            So we're just at a very preliminary stage  
17 here. So my--and we've got the word "loan" has  
18 been used, sizable sums of money. And I'm just  
19 trying to determine if there is paperwork. And  
20 maybe we'll look at that paperwork and it  
21 doesn't add up to anything. Maybe we'll look at  
22 it and say, "Hmm, that's interesting. That  
23 raises another point." And that would be  
24 something that the Commission staff would want  
25 to look into further.

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2           We're not making any judgment. We're not 1  
3 making any judgment as to ultimate conclusions  
4 here. We're just--we--I find after all the  
5 questions that have been asked, I have more  
6 questions probably then when I--when we first  
7 started. And that was just one of them. There  
8 is written documentation? That's what I was  
9 trying to determine for when you call it a loan  
10 or whatever. That's why I referred to it as a  
11 transfer of funds.

12           MS. FALLON: Transfer of funds.

13           COMMISSIONER LEE: Okay.

14           MS. FALLON: Correct.

15           COMMISSIONER LEE: Rather than giving it a  
16 characterization because maybe that would be  
17 incorrect.

18           MS. FALLON: And also I was looking at the  
19 statute. So I was being very clear in  
20 understanding what "loan" meant. And I know  
21 we're not a bank. So I figured that we probably  
22 did not meet the qualifications and definition  
23 under your statute for the exception to  
24 contribution.

25           CHAIR MATHESON: Is there anything else for

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2       Good morning.

4

3               MR. AVERY DAY:    Good morning members of the  
4       Commission.   My name is Avery Day.   I'm an  
5       attorney here in Augusta and I represent--add  
6       another lawyer to the mix.

7               [Laughter]

8               MR. DAY:    I represent Ms. Timberlake in her  
9       personal capacity.   And I just would start out  
10      by saying I don't mean to prejudge anything.   It  
11      seems like Commission members have a number of  
12      questions.   Some have even said they have more  
13      questions now.   I'm guessing, you know,  
14      ultimately where a vote might end up today on  
15      whether or not to proceed to an investigation.  
16      I don't think Cheryl opposes that and, you know,  
17      would welcome the opportunity to show you all  
18      the documents needed and to establish on the  
19      record, you know, what transpired.   So she's not  
20      objecting to that, if that's how the Commission  
21      proceeds.

22              CHAIR MATHESON:   All right.   Are there  
23      questions, comments for Mr. Day or Ms.  
24      Timberlake?

25              COMMISSIONER LOWRY:   Why don't you go ahead,

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2        Bill? Because you had mentioned you were

5

3        asking what Cheryl had seen with respect to MDC

4        and IDC listed on the documents, listed on--

5                COMMISSIONER LEE: [Interposing] Why don't

6        you--why don't you go ahead and ask that

7        question?

8                [Laughter]

9                COMMISSIONER LOWRY: So, Cheryl, just a

10        general question. Were--did you see bank or

11        other statements that reflected MDC and IDC as

12        providing funds to Ms. Scott?

13                MS. CHERYL TIMBERLAKE: To Ms. Scott? So as

14        Treasurer of Horseracing Jobs and Fairness, my

15        responsibility is to capture contributions and

16        report them, and to itemize expenditures. So

17        from the beginning of this initiative, to

18        Commissioner Nass's point, I brought in a legal

19        compliance team and that was Soltan Bass,

20        Charlie Soltan and James Bass. Once, because

21        they know politics and, two, they understand the

22        compliance mechanisms. And recognize the

23        compliance mechanisms for us were the Secretary

24        of State because the ballot effort, as well as

25        Ethics. So we had a double edge sword, if you

2      will. So I put together a team to ensure that 6  
3      what do we need to do. When do we need to do  
4      it? How do we do it? I want local advisors  
5      that make sure that I understand what the legal  
6      statute says.

7                    COMMISSIONER LOWRY: Yes.

8                    MS. TIMBERLAKE: So we had several meetings  
9      with Julie Flynn [phonetic] and Melissa Packard  
10     [phonetic], for Secretary of State. And as  
11     you've seen in the brief we've met with the  
12     Ethics staff here to ask those very pointed  
13     questions as well. In addition, after that  
14     January meeting, to Commissioner Nass's point, I  
15     retained, I, Capital Insights [phonetic], my  
16     company retained the services of MacDonald Page,  
17     an accountant specifically to help itemize and  
18     reconcile Horseracing Jobs and Fairness.

19                   COMMISSIONER LOWRY: Mm-hmm.

20                   MS. TIMBERLAKE: And that was their  
21     responsibility with me through all of what I'll  
22     describe as phase one. And that means up until  
23     May when they had not made the ballot and we  
24     were bringing closure to all of the expenses and  
25     all the campaign related activities.

2               COMMISSIONER LOWRY:    Yes.

7

3               MS. TIMBERLAKE:    So that was my role and  
4       responsibility.   For capturing purposes of the  
5       detail, if a wire transfer came in or if an  
6       expenditure was--excuse me, a contribution was  
7       made to the account, we captured it.   So  
8       everything is itemized there.   Lisa Scott's  
9       signature is on every campaign contribution.  
10      What is interesting, and I can show you some of  
11     them, is you get a receipt with a set of  
12     numbers, seven or ten depending on the financial  
13     institution.   It doesn't necessarily identify an  
14     entity.   So you go by the signature of the  
15     individual, and all of those signatures are Lisa  
16     Scott.

17              COMMISSIONER NASS:    I have a question.

18              CHAIR MATHESON:    Yes, Commissioner Nass?

19              COMMISSIONER NASS:    So I guess to pick out  
20     one, there is a series of these things if you  
21     look at the contributions, but pick out the most  
22     prominent one.   There was one day where an  
23     \$800,000 contribution was made and a \$100,000.  
24     I think it was 100 but total--I think it was  
25     150, total close to a million dollars in one day





2       wasn't in one check or one contribution. It's 9  
3       just--the whole thing is strange, Cheryl. And  
4       it's--you know, why would somebody like--looking  
5       at this thing, it just raises a lot of questions  
6       which may not be important but I mean people--  
7       strange things are happening here. And I--so if  
8       you could--if you have an answer for that, I  
9       don't know. Why would somebody do that?

10       MS. TIMBERLAKE: What was the--

11       COMMISSIONER NASS: [Interposing] You don't  
12       know?

13       MS. TIMBERLAKE: What was the question?

14       COMMISSIONER NASS: The question is why  
15       would somebody make an \$800,000 contribution and  
16       in the same day make another contribution of  
17       \$150,000? Same day.

18       MS. TIMBERLAKE: Lisa, with certain  
19       invoices, she transfers specific to an invoice  
20       approval.

21       COMMISSIONER NASS: Or maybe the money was  
22       coming from several different sources? Is that  
23       a possibility?

24       MS. TIMBERLAKE: Well, all of the monies,  
25       again, are Lisa's.

2           COMMISSIONER NASS:   Yeah, okay.   I got it.   0

3           MS. TIMBERLAKE:   I can't--

4           COMMISSIONER NASS:   [Interposing] I'm trying  
5   to understand that but--

6           MS. TIMBERLAKE:   [Interposing] I'm happy to  
7   give you but she--

8           COMMISSIONER NASS:   [Interposing] Okay.   I'm  
9   looking at this and I'm saying--

10          MS. TIMBERLAKE:   [Interposing] She forwarded  
11   each contribution as per an approved expenditure  
12   invoice with the accountant's agreement.

13          COMMISSIONER NASS:   Okay.

14          MS. TIMBERLAKE:   Yeah.

15          COMMISSIONER NASS:   Can I ask one more  
16   question?

17          CHAIR MATHESON:   Certainly.

18          COMMISSIONER NASS:   Who was the accountant  
19   that you hired that worked for MacDonald Page?

20          MS. TIMBERLAKE:   Sure, Patrick O'Reilly  
21   [phonetic] was the principal and Tetiana  
22   Glebkivska was the point person who worked with  
23   us and did all of the spreadsheets, all the  
24   organization, and asked questions and put it  
25   into the documentation, so that I could then



2           MS. TIMBERLAKE:   So we were very careful       2  
3       at making sure how this was done, and it was  
4       done to that point.

5           COMMISSIONER NASS:   Thank you.

6           MS. TIMBERLAKE:   Yeah.

7           COMMISSIONER LEE:   Very briefly.   I believe,  
8       Mr. Day, you stated that Cheryl Timberlake, your  
9       client, will fully cooperate if in fact an  
10      investigation is requested by the Commission.

11          MR. DAY:   Yes.

12          COMMISSIONER LEE:   That's good enough for  
13      me.   Thank you.

14          COMMISSIONER LOWRY:   Thank you.

15          CHAIR MATHESON:   Yes, thank you.

16          MS. TIMBERLAKE:   You're welcome.   Thank you.

17          CHAIR MATHESON:   Is there anybody else out  
18      there who cares to come forward today, to have a  
19      discussion with us?   Okay?

20          COMMISSIONER LEE:   I have a question.

21          CHAIR MATHESON:   All right.

22          COMMISSIONER LEE:   For Mr. Wayne.   It's  
23      regarding some comments that Mr. Merrill made  
24      earlier.   He was raising the question about they  
25      came before the Commission staff back in early

2      2016 for the express purposes of making sure      3  
3      they were following the necessary rules. And  
4      the reporting that was done showed a very large  
5      amount of money being contributed by Lisa Scott,  
6      but at that--which would trigger a requirement  
7      to file as a BQC, if I have this correct. But  
8      yet she wasn't told at that time that she needed  
9      to do so. And I'm curious if you could  
10     elaborate on why not.

11            MR. WAYNE: Sure. Well, actually at the  
12     meeting that he is referring to that occurred in  
13     January 2016--well, let me. Okay. I would need  
14     to review the report. I think that at the very  
15     initial report that was filed--let me take a  
16     different time. At the time that they  
17     registered we saw \$28,000 in receipts to  
18     Horseracing Jobs Fairness BQC from Lisa Scott.  
19     That, you know, that would have been reviewed by  
20     Ben Dyer, our Political Committee and Lobbyist  
21     Registrar. An amount of \$28,000 from an  
22     individual wouldn't raise any eyebrows.

23            COMMISSIONER LEE: But it's more than 5,000.

24            MR. WAYNE: Yes. So if this is just her  
25     money--see, whenever we see--this goes to Mr.

2 Merrill's point about disparate treatment. We 4  
3 see large amounts of money, in the hundreds of  
4 thousands, all over the place being contributed  
5 to PACs, ballot question committees, and party  
6 committees, because Maine, unlike other states,  
7 doesn't have any limits on how much you can give  
8 to a party committee or a ballot question  
9 committee or a PAC. So it's not that unusual to  
10 see something in the six digits from out of  
11 state being given to PAC or a party committee or  
12 a ballot question committee.

13 We, as state regulators, we don't know if  
14 that is just the general treasury money of the  
15 donor that they are choosing to give to the  
16 recipient committee because they care about the  
17 outcome of an election. If it's just their  
18 money, they don't have to register. They're  
19 just a donor. They're just a large donor. So--

20 COMMISSIONER LEE: [Interposing] But didn't  
21 that donor rule change on July 29th of 2016?

22 MR. WAYNE: No. So if--basically when we  
23 saw--or I don't want to say "we" because it's  
24 not. When our employee reviewed campaign  
25 finance reports--first of all, he doesn't

2      necessarily look at every single campaign

5

3      financial report because of staff constraints.

4      We're not required to. We don't--it's not

5      really practical. But if we see a large amount

6      being contributed by an organization or by an

7      individual, it very well could be their money

8      that they're contributing. And so we don't

9      really have a reason at that point to conduct an

10     investigation and do a lot of probing into

11     whether or not that is their money.

12             We take--we give people the benefit--donors

13     the benefit of the doubt, as we did with Lisa

14     Scott. We believed that she was probably

15     apprising herself of both the laws and rules.

16     And so we don't conduct an investigation into

17     donors and whether it's really their money

18     unless there is a reason to do that.

19             And in the early reporting by this BQC we

20     left it--you know, we think it was incumbent on-

21     -if Cheryl Timberlake met with us--when she met

22     with us for to receive compliance advice, we

23     think she should have come armed with the

24     knowledge that this petition campaign was going

25     to be funded by others other than Lisa Scott.

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2      And she should have said, "How do we report      6  
3      this?" But she--I don't know whether she had  
4      that knowledge at that time or not. So the duty  
5      is on her end to learn the relevant factual  
6      circumstances, talk to her lawyers. If they're-  
7      -if they need any clarifications they should be  
8      coming to us for advice. We'd be happy to give  
9      that. But if they don't tell us that they've  
10     received some sort of investments or loans from  
11     Capital Seven, we're not in a position to offer  
12     any advice on that topic. I may have gone  
13     afield with your question.

14            COMMISSIONER LEE: I understand your answer.  
15     Thank you.

16            CHAIR MATHESON: All right. So before us  
17     today the first issue is whether the evidence  
18     available to us today, as a result of the staff  
19     doing some preliminary legwork and some of the  
20     dialogue that we've had today, whether we  
21     believe there is sufficient grounds for  
22     believing that a violation may have occurred. I  
23     think that's the standard that Title 21-A, MRSA  
24     1003, subsection 2, imposes on us.

25            And I guess I'm seeking a motion or we can

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2       vote on--that we can second, and then have

7

3       some discussion about. Or are folks inclined...

4               COMMISSIONER LEE: Who or what would be the

5       subject of the investigation might be a

6       preliminary question before we try to frame it

7       as a motion.

8               CHAIR MATHESON: Yes.

9               COMMISSIONER LEE: We've got a number of

10       legal entities here.

11              COMMISSIONER NASS: If you--yeah, I would

12       say if you need a motion to investigate, and I'm

13       willing--ready to make that, if we need

14       subsidiary motions to flesh out all of that, you

15       want to try to flesh it all out before you--

16       before you decide to investigate or not? We

17       have advice from Jonathan, from the staff, about

18       what the nature of this investigation would be

19       in bullet points. So it's in words at this

20       point. So I guess I'm thinking we ought to get

21       the investigation up on the table and then fill

22       in the blanks.

23              COMMISSIONER LEE: Maybe, if I may, Ms.

24       Chair, ask Mr. Wayne a question. Are you

25       recommending that there be an investigation of



2       that that entity was involved in a possible       9  
3       purchase at Scarborough Downs. It may not  
4       really have--I don't know what its role would  
5       have been in any of this but we'd be happy to  
6       include that. That wasn't on our mind but we'd  
7       be happy to fold that in.

8               COMMISSIONER LEE: Would it be both Bridge  
9       Capital and Universal Capital? They're  
10       interrelated in some sense, or at least some of  
11       the principals are, based on a letter that Mr.  
12       Riley sent.

13              MR. WAYNE: We don't really know whether  
14       Bridge Capital had any involvement in this  
15       whatsoever. It could have, if it was the source  
16       of money for Capital Seven LLC, but we don't  
17       know that. I mean--I mean to the extent--I mean  
18       we're happy to include them to the extent that  
19       they had any financial activity related to a  
20       potential political campaign. That would be  
21       fine. We don't really have evidence that they  
22       were involved.

23              COMMISSIONER NASS: But if they didn't  
24       mention--if it wasn't mentioned in the motion  
25       and then it turned out there was some

2       connection, are you then unable to go there?

0

3               MR. WAYNE: I'm interpreting that there  
4       has been some interest expressed by the  
5       Commissioners in under--trying to understand  
6       whether any outside funding or funding from  
7       investors was received by Capital Seven and  
8       Regent Able Associate Co for the purposes of  
9       this political campaign.

0

10              COMMISSIONER LOWRY: Yes.

11              MR. WAYNE: I heard that earlier. So I  
12       would think that the way Bill framed the scope  
13       of the investigation to include all sources of  
14       funding to those entities for the purposes of  
15       political campaign, whether it was Bridge  
16       Capital, whether it was others associated with  
17       those two business entities.

18              COMMISSIONER LOWRY: So in effect--

19              COMMISSIONER LEE: [Interposing] To  
20       expressly mention Bridge Capital and Universal  
21       Capital in our motion?

22              MR. WAYNE: Yeah, if you'd like to.

23              COMMISSIONER LEE: And, as Mr. Nass said, if  
24       there is--if you look at it and very quickly  
25       decide there is nothing that pertains to this

2           pending ballot question then that would be the   0  
3           end of it as it pertains to that end.           1

4           MR. WAYNE:   Right.

5           COMMISSIONER LOWRY:   So I like the way  
6           Jonathan phrased it, as all sources of funding,  
7           just so that a little bit of a catch all, so  
8           that--so that he can proceed with the  
9           investigation as it leads him.

10          COMMISSIONER LEE:   And how do you see the  
11          phrase "all sources of funding" fitting into a  
12          motion exactly, Commissioner?

13          COMMISSIONER LOWRY:   I--what Jonathan  
14          suggested was "all sources of funding."

15          COMMISSIONER LEE:   Want me to try making a  
16          motion and then see if you want--maybe you want  
17          to have a friendly amendment to it?

18          COMMISSIONER LOWRY:   Yeah, great.   Yeah,  
19          thank you.   Thank you.

20          CHAIR MATHESON:   All right.   Let's get a  
21          motion out there.

22          COMMISSIONER LEE:   Otherwise we don't have  
23          something on--

24          CHAIR MATHESON:   [Interposing] Let's get a  
25          motion out there, yes.

2 COMMISSIONER LEE: We'll have something on 0  
3 the table before us. The standard, as the 2  
4 Chair said, was based on the information we have  
5 here today do we believe that there is  
6 sufficient grounds to conduct further  
7 investigation. This Commission has previously  
8 interpreted the phrase "sufficient grounds" to  
9 mean based on the information that is before us  
10 does there appear to be a reasonable possibility  
11 that a violation may have occurred. Certainly  
12 no finding that a violation occurred, but is  
13 there enough of a question raised based on the  
14 information we have before us.

15 I would make a motion that there is  
16 sufficient grounds to conduct further  
17 investigation of Lisa Scott, MDC, IDC, Regent  
18 Able, Capital Seven, Universal Capital, and  
19 Bridge Capital, and HRJ--

20 COMMISSIONER LOWRY: [Interposing] HJF.

21 CHAIR MATHESON: --HJF regarding possible  
22 noncompliance with the Election and Financing  
23 Laws of the State of Maine pertaining to the  
24 pending ballot question.

25 COMMISSIONER NASS: Second.

1           **IN RE: CAMPAIGN FINANCING OF YORK COUNTY CASINO INITIATIVE**           1

2                   COMMISSIONER LOWRY:   That captures it.           0

3           Thank you.           3

4                   COMMISSIONER LEE:   Okay.   I need a second.

5                   CHAIR MATHESON:   You've got one.

6                   COMMISSIONER LEE:   I got a second?

7                   CHAIR MATHESON:   It would be my

8           understanding that that's a pretty specific  
9           motion but if you're in the context of reviewing  
10          one of these things and something else pops up  
11          I'm assuming that that umbrella is wide enough  
12          to capture that.

13                   COMMISSIONER LEE:   Yeah, I think with a  
14          second motion in terms of the scope of the  
15          investigation probably could cover it with that.

16                   CHAIR MATHESON:   Okay.   Before I call the  
17          vote, is there something over here?

18          Commissioner, do we have any more discussion on  
19          this?   Do we hear a comment from the--

20                   COMMISSIONER NASS:   [Interposing] A question  
21          to Phyllis I guess.   By mentioning all these  
22          parties do we increase the likelihood that, you  
23          know, that somebody is going to bring suit based  
24          on this motion because they're included and  
25          shouldn't have been?

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2           MS. PHYLLIS GARDINER:   Well, that's--it's       0  
3       a very preliminary step.   There is no final       4  
4       agency action here.

5           COMMISSIONER NASS:   Okay, thank you.

6           MS. GARDINER:   It's really--it's not  
7       investigation but I think--I guess my  
8       understanding of the intention of your motion  
9       here with respect to Universal Capital and  
10      Bridge Capital in particular, you're including  
11      them as to the extent they may have been sources  
12      of funding that ultimately funneled through one  
13      or more of the other named entities into this  
14      ballot question campaign.   Is that correct?

15          COMMISSIONER NASS:   Yeah.   I kind of think  
16      it's going to be hard to get there for those  
17      entities, but are we just--

18          COMMISSIONER LEE:   [Interposing] We're just  
19      saying we don't want to exclude because--

20          COMMISSIONER NASS:   [Interposing] Right,  
21      right.

22          COMMISSIONER LEE:   --at this point we don't  
23      have enough information but there are enough  
24      questions raised.

25          MS. GARDINER:   Is it also correct that



2 you're--obviously the staff can also always 0  
3 come back to you to, to clarify or expand or 5  
4 alter the scope of the investigation at any  
5 point. I mean you want to be efficient because  
6 you only meet periodically but, you know--

7 COMMISSIONER LOWRY: [Interposing] And it's  
8 on the--

9 MS. GARDINER: [Interposing] You focused on  
10 those two. The investigation, you know, may  
11 reveal other sources of funding that ultimately  
12 channeled into this ballot question campaign,  
13 which I think is what Jonathan was suggesting.  
14 So I think if you're just identifying them as  
15 potential sources that you want to make sure are  
16 looked into then it makes sense to mention them  
17 with any of the others that come up as well.

18 CHAIR MATHESON: Any other comments from  
19 our--all right. And all those in favor of the  
20 pending motion? All those opposed? All right.  
21 Let's--

22 COMMISSIONER NASS: [Interposing] The scope  
23 of the investigation?

24 CHAIR MATHESON: Sure.

25 COMMISSIONER NASS: I'm looking at page 19

2 and I see the recommendations of-- 0

3 COMMISSIONER LEE: [Interposing] 19 or 21? 6

4 CHAIR MATHESON: The whole--I mean, well, 19  
5 is some bullet points and then 21 are bullet  
6 points.

7 COMMISSIONER LEE: We can refer to the  
8 recommendations contained within the preliminary  
9 report. So we don't have to limit ourselves to  
10 this page or that page.

11 CHAIR MATHESON: Right.

12 COMMISSIONER LEE: I would--can we just  
13 discuss right now?

14 CHAIR MATHESON: Certainly.

15 COMMISSIONER LEE: Sure. I would--you have  
16 a catch all in what you're recommending, Mr.  
17 Wayne, about other investigative steps that may  
18 become advisable based on the above. I consider  
19 that I'm particularly interested in the email  
20 traffic between the parties, for example Lisa  
21 Scott and Regent Able and Capital Seven and MDC  
22 and IDC. That's probably captured under your  
23 last bullet point that says "other investigative  
24 steps that may become advisable." But email  
25 traffic that would relate to these transfers of

2 money could be particular relevant in 0  
3 clarifying exactly what was going on. And I 7  
4 think that's probably the only thing that I  
5 would suggest adding. And I'm just doing that  
6 informally here because a motion--if we make  
7 this motion the other investigative steps would  
8 obviously--could include that.

9 I'll make--I'll make a motion that we direct  
10 the Commission staff to conduct an investigation  
11 as outlined in the memorandum dated June 2nd,  
12 2017, from Jonathan Wayne, Executive Director,  
13 to the Commissioners of the Maine Ethics  
14 Commission.

15 COMMISSIONER NASS: Second.

16 CHAIR MATHESON: Any further discussion?  
17 Commissioner Lowry?

18 COMMISSIONER LOWRY: So on page 19, and you  
19 may have contemplated what I'm about to suggest,  
20 but on the first bullet you ask were the  
21 campaign finance reports filed, accurate and  
22 filed on time. I'm sure you'd also consider  
23 whether they're complete. On the second bullet,  
24 do the reports misidentify contributors or  
25 contain any material misrepresentations. I'm

2 sure you'll also consider whether there are 0  
3 any omissions. 8

4 And I think I also have a note here about  
5 loan documents from Capital Seven and Regent  
6 Able to the BQCs, but I think that's--I think--I  
7 think we should--maybe they're not covered on  
8 page 21. I think we do need to see those loan  
9 documents because there has been a suggestion  
10 that the terms vary based on the outcome of the  
11 ballot initiative. I'm not sure that that's  
12 what Mr. Merrill intended, really meant to say,  
13 but that's what was suggested. And so I think  
14 that's--that would be appropriate within the  
15 investigation.

16 COMMISSIONER LEE: One of the bullet points  
17 says production of documentation of the loans.

18 COMMISSIONER LOWRY: Oh, great. Thank you.

19 COMMISSIONER LEE: What you're--but what  
20 you're saying is any and all documentation that  
21 pertains to whether you call them loans or  
22 transfers of money?

23 COMMISSIONER LOWRY: Yes, yes, thank you.

24 COMMISSIONER LEE: Okay.

25 CHAIR MATHESON: Transfer of funds, yep,

2 yeah. 0

3 COMMISSIONER LEE: Transfer of funds. 9

4 CHAIR MATHESON: Yes.

5 COMMISSIONER NASS: I have a question about  
6 process.

7 CHAIR MATHESON: So I mean we can--I don't  
8 think we have to necessarily include these in  
9 the motion, any tweaks that we're making to  
10 this, because we've--but I do think it's  
11 important to talk about transfer of funds and  
12 just not in the term of "loan." So we don't go  
13 down a slippery slope. Whatever they are, we'd  
14 like to see the terms and documentation.

15 Commissioner Lowry?

16 COMMISSIONER LOWRY: So one thing that  
17 Jonathan raised in his memo is that he would  
18 like guidance from us on timing. And in the  
19 past when we've considered investigations we've  
20 asked--we've tried to get a sense of burden that  
21 this represents for you and for your staff.  
22 And, you know, we've got a November deadline  
23 certainly but in terms of timing do you need  
24 anything further from us? And can you give us  
25 an idea of how it might play out?

2 MR. WAYNE: No. I--no, I think I don't 1  
3 need anything further. Although you did 0  
4 mention November, so let me just--is it the  
5 preference of the Commission that this be wound  
6 up before the election, the election?

7 COMMISSIONER NASS: Can I comment on that?  
8 Because it would appear that the failure in  
9 Massachusetts--I don't know if it can be blamed  
10 on this, the report or something happened a few  
11 days before the election. And it did--there was  
12 no commentary that I would see that suggested  
13 that was the reason, but it certainly couldn't  
14 have--it must have been the report. So what  
15 happened down there, I don't really know, but it  
16 appears that some kind of a report was issued  
17 like four or five days before the election down  
18 there. And we have this legislative letter that  
19 says they want it done quickly. And I don't see  
20 how you're going to get this done before--

21 COMMISSIONER LOWRY: [Interposing] Is it  
22 realistic?

23 COMMISSIONER NASS: --before November.

24 MR. WAYNE: What--yeah, I think parts of  
25 this can be completed. I think it--a lot of it

2       depends on how the Respondents respond to the       1  
3       investigation.       1

4               COMMISSIONER NASS:   That's my other  
5       question.

6               CHAIR MATHESON:   Yeah.

7               MR. WAYNE:   And that I don't know if it  
8       would be appropriate for you to probe that today  
9       and ask whether they would be cooperative with  
10       this investigation or not.   Let me just share  
11       that we did--we have prepared a couple of  
12       subpoenas for records that we have with us  
13       today.   And it is--under our rules, it is the  
14       Chair who issues subpoenas.   And so we thought  
15       we would take advantage of the fact that the  
16       Chair was here, counsel for the Respondents are  
17       here.   They would accept service of the  
18       subpoenas for records here today.   We could  
19       serve them on the attorneys.

20               And I did give Mr. Merrill a heads up about  
21       this two days ago.   I don't know if the  
22       subpoenas capture every--we tried to draft them  
23       pretty much in line with on page 21, but I don't  
24       know if they capture everything that is of  
25       interest to you.   So I just wanted to give you a

2 heads up on that. 1

3 COMMISSIONER NASS: Can I ask a question? 2

4 CHAIR MATHESON: Yes.

5 COMMISSIONER NASS: So my question was on  
6 process was about subpoenas. So we have--you  
7 have subpoena authority or to do that. So the  
8 Attorney General doesn't do this? You do your  
9 own basically, subpoenas?

10 MS. GARDINER: They're Commissioner issued  
11 subpoenas.

12 COMMISSIONER NASS: Okay.

13 MS. GARDINER: Signed by the--by the Chair  
14 on behalf of the Commission.

15 COMMISSIONER NASS: Okay.

16 MS. GARDINER: And that's specifically  
17 authorized in your statute.

18 COMMISSIONER NASS: Have we done this  
19 before?

20 MS. GARDINER: Yes.

21 COMMISSIONER NASS: We have?

22 MS. GARDINER: Several times.

23 CHAIR MATHESON: Yes?

24 COMMISSIONER LEE: I think if you can  
25 complete the investigation or at least complete



2       as much as possible to find parts as soon as       1  
3       possible, it's very important. Just the fact       3  
4       that we are voting here today and have voted to  
5       conduct an investigation does hang a cloud over  
6       the--over the issue. And if you proceed with  
7       this investigation and come back and say, "Well,  
8       it really turns out it wasn't nearly what we  
9       thought it was, or there is a little bit here, a  
10      little bit there," I think it's important for  
11      that to come out because just the fact that we  
12      are ordering an investigation can end up  
13      affecting public opinion. And for us to have a  
14      hearing in the middle of November, the week  
15      after the voters vote on this, I think would be  
16      unfair if within the limits of your resources it  
17      could be avoided.

18               MR. WAYNE: Absolutely. We'd like to  
19      proceed with it. We appreciate your concerns  
20      about burden but this is not a--you know, we  
21      will make this our number one priority. We will  
22      move absolutely as quickly as we can on this. A  
23      lot of this depends on how the Respondents, you  
24      know, whether they're forthcoming with the  
25      information, whether they raise a lot of legal

2 objections as to relevance or, you know, 1  
3 breadth and things like that. But the quicker 4  
4 we get the information from the Respondents, the  
5 quicker we can wrap this up.

6 CHAIR MATHESON: Yes?

7 COMMISSIONER LEE: Might it be possible, for  
8 example, a number of parties have been mentioned  
9 here. Might it be possible that you end up  
10 coming before us in another month or two and  
11 say, "Look, we've looked into Parties A, B, and  
12 C, and we see nothing there. We recommend that  
13 you make a finding that there were no violations  
14 as it pertains to them." And then they could be  
15 separated out. Is that possible?

16 MR. WAYNE: That's absolutely possible.

17 COMMISSIONER LEE: Just because we've named  
18 all these different entities is certainly no  
19 finding of anything. And it may be that several  
20 of them have--or it could be all of them, but  
21 maybe at least several of them can be disposed  
22 of quite quickly. And it might be there are one  
23 or two other things that you feel would take  
24 considerably longer to resolve.

25 MR. WAYNE: I guess if I can just share one

2 expectation that I have? And it's very 1  
3 preliminary. We're more convinced that the 5  
4 reports showing these loans from Capital Seven  
5 and Regent Able Associate Co, those should have  
6 been filed in 2016. It seems to us that the  
7 evidence will not be that challenging. This is  
8 my preliminary expectation, that those were  
9 violations. We want to--we will proceed with  
10 all aspects of this aggressively at the start  
11 but it may be that the reporting that we've got  
12 from Lisa Scott and the two LLCs about where  
13 they got their money and whether that was  
14 reported on time or not, that might be the  
15 easier phase to complete prior to the November  
16 election.

17 The information about where--you know, what  
18 funds were used by Capital Seven or Regent Able  
19 Associate Co to provide the money to Lisa Scott  
20 and her two LLCs, that might be the more  
21 challenging information to obtain in this  
22 investigation. And we will proceed with that  
23 aspect of it, but that might take longer.  
24 That's just my preliminary expectation. I don't  
25 know if it will bear out but that's...

**Ubiquis**

2 COMMISSIONER NASS: Did we complete the 1  
3 second motion? Did we take a second vote? 6

4 COMMISSIONER LOWRY: We haven't voted on  
5 the--on the scope.

6 COMMISSIONER NASS: We have a motion.

7 CHAIR MATHESON: And we have a second.

8 COMMISSIONER LOWRY: And we have a second,  
9 and Jonathan has prepared subpoenas. I just  
10 want to check with you that the catch all that's  
11 on page 21, other investigative--oh, no, that's  
12 actually not appropriate. Let me--let me--  
13 that's not part of a subpoena.

14 MR. WAYNE: No, we wouldn't--

15 COMMISSIONER LOWRY: [Interposing] Yeah,  
16 right. But the subpoenas effectively represent  
17 the scope that's laid out in the--in this motion  
18 relating to scope.

19 CHAIR MATHESON: And I, for one, you know,  
20 if we're at the next regular scheduled meeting  
21 and you have information or a progress report,  
22 I'd love to hear that. Even if it's, you know  
23 what, everything is still pending, that's okay.  
24 We just--I mean you were saying if you found  
25 things were easily disposed of, I guess we'd

2           like to hear also sort of like, well, how           1

3           things are going, just a quick progress           7

4           report.

5                   MR. WAYNE:    Okay, thank you.

6                   CHAIR MATHESON:    So pending motion, are  
7           there any more comments?   All right.

8                   COMMISSIONER PATTERSHALL:    I was just going  
9           to say I'm sympathetic to Mr. Merrill's estoppel  
10          argument and I understand that.   I think that's  
11          more appropriately addressed though if we ever  
12          get to a penalty phase, if we're ever at that  
13          stage.   I think we've just to know the facts,  
14          including interactions between the staff and the  
15          BQC.   I just wanted to say that.

16                   CHAIR MATHESON:    All right.

17                   COMMISSIONER LEE:    Fair statement.

18                   CHAIR MATHESON:    All right.   All those in  
19          favor of the pending motion?    Okay.   All those  
20          opposed?   Do you have any other business for us?

21                   MR. WAYNE:    I don't but I--

22                   CHAIR MATHESON:    [Interposing] Subpoenas,  
23          yeah.

24                   MR. WAYNE:    On the issue of the subpoenas.

25                   CHAIR MATHESON:    Okay.

2 MR. WAYNE: Do you want to possibly move 1  
3 forward with that right now and take a look at 8  
4 them?

5 CHAIR MATHESON: Sure, sure.

6 MR. WAYNE: And see whether you think  
7 they're...

8 [Pause]

9 CHAIR MATHESON: Do you have copies for  
10 everybody? I'm being corrected. That's what I  
11 meant. Thank you.

12 MR. WAYNE: If this is not how you want to  
13 go about this--

14 CHAIR MATHESON: [Interposing] I know.

15 MR. WAYNE: --let me know.

16 [Pause]

17 COMMISSIONER LOWRY: Yeah? So it was  
18 sensitized by Bill's question specifically  
19 remaining to--relating to emails. Emails are  
20 not specifically mentioned in the Lisa Scott  
21 subpoena.

22 CHAIR MATHESON: But they are down here.

23 COMMISSIONER LEE: Yeah, but they--but they  
24 would be on the other one where emails. It  
25 should - - with Cheryl and Lisa Scott, but it

2           would not necessarily take something between--   1

3                   COMMISSIONER LOWRY:   [Interposing] Oh, I   9

4           see.

5                   COMMISSIONER LEE:   --Lisa Scott and Capital

6           Seven and Regent Able, for example.   I think

7           that - - add that.

8                   COMMISSIONER LOWRY:   Okay.

9                   COMMISSIONER NASS:   We have the opportunity

10          now to deliver these.

11                  CHAIR MATHESON:   We need to go into--I'm

12          going to ask you something.   Is this something

13          we can go into executive session over, or no?

14          It's pending.   Well, no, it's--

15                  COMMISSIONER NASS:   [Interposing] I don't

16          think we need to.

17                  CHAIR MATHESON:   All right.

18                  COMMISSIONER LOWRY:   We can.

19                  COMMISSIONER NASS:   The question is, do you

20          want to make any adjustments to this.   The folks

21          are here.   We can deliver these subpoenas now,

22          which would be a big step forward, assuming they

23          haven't run out the door.

24                  COMMISSIONER LEE:   Since this is on a word

25          processor--





2       looking again at the definition of documents,       2  
3       the definition of document includes electronic       1  
4       mail.

5               CHAIR MATHESON:   And so does text--

6               COMMISSIONER LOWRY:   [Interposing] And - -  
7       messages.

8               CHAIR MATHESON:   And so does communication,  
9       electronic mailing.

10              COMMISSIONER LOWRY:   Yeah.

11              CHAIR MATHESON:   Okay.  I think we've got  
12       it.  I think we're there.

13              COMMISSIONER LEE:   Okay.  So do we need a  
14       motion to issue the subpoenas?  How does this  
15       go?

16              CHAIR MATHESON:   I've never issued a  
17       subpoena from here, so.

18              COMMISSIONER LEE:   Do we need to do a formal  
19       motion?

20              MS. GARDINER:   We don't need to.  If you  
21       want to, that's fine.  The Chair has authority  
22       to sign subpoena.  You've authorized the staff  
23       to conduct the investigation and the staff  
24       prepared the subpoenas in the event you were to  
25       vote to do that, so.





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**IN RE: CAMPAIGN FINANCING OF YORK COUNTY CASINO INITIATIVE**

those opposed?

[END RECORDING]

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C E R T I F I C A T E

I, Brandi Dean certify that the foregoing transcript of 06092017\_complete\_audio.mp3 was prepared using standard electronic transcription equipment and is a true and accurate record to the best of my ability. I further certify that I am not connected by blood, marriage or employment with any of the parties herein nor interested directly or indirectly in the matter transcribed.

Signature:



Date: June 14, 2017

**Ubiquis**

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